BLACKROCK SMALLER COMPANIES TRUST PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS 28 FEBRUARY 2015

BLACKROCK®

BlackRock Smaller Companies Trust plc

Corporate summary

The company	The Company is an investment trust and its shares are listed on the London Stock Exchange. The Company aims to attract long term private and institutional investors wanting to benefit from the growth prospects of smaller companies.
Investment objective	To achieve long term capital growth for shareholders through investment mainly in smaller UK quoted companies. Full details are given on page 7.
Benchmark index	Numis Smaller Companies plus AIM (excluding Investment Companies) Index.
Alternative Investment Fund Manager	BlackRock Fund Managers Limited ("The Manager")
Investment manager	BlackRock Investment Management (UK) Limited – Portfolio Manager, Mike Prentis.
Board	The Company has an independent Board of Directors which is responsible for the governance of the Company, monitors its performance and keeps the investment strategy under review.
Website	Information about the Company can be found on the website blackrock.co.uk/brsc
AIC	The Company is a member of the Association of Investment Companies.

Financial calendar

April 2015	Announcement of results for year ended 28 February 2015
June 2015	Annual General Meeting
June 2015	Payment of final dividend on ordinary shares
October 2015	Announcement of results for six months ended 31 August 2015
November 2015	Payment of interim dividend on ordinary shares

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The Association of Investment Companies

A MEMBER OF THE ASSOCIATION OF INVESTMENT COMPANIES

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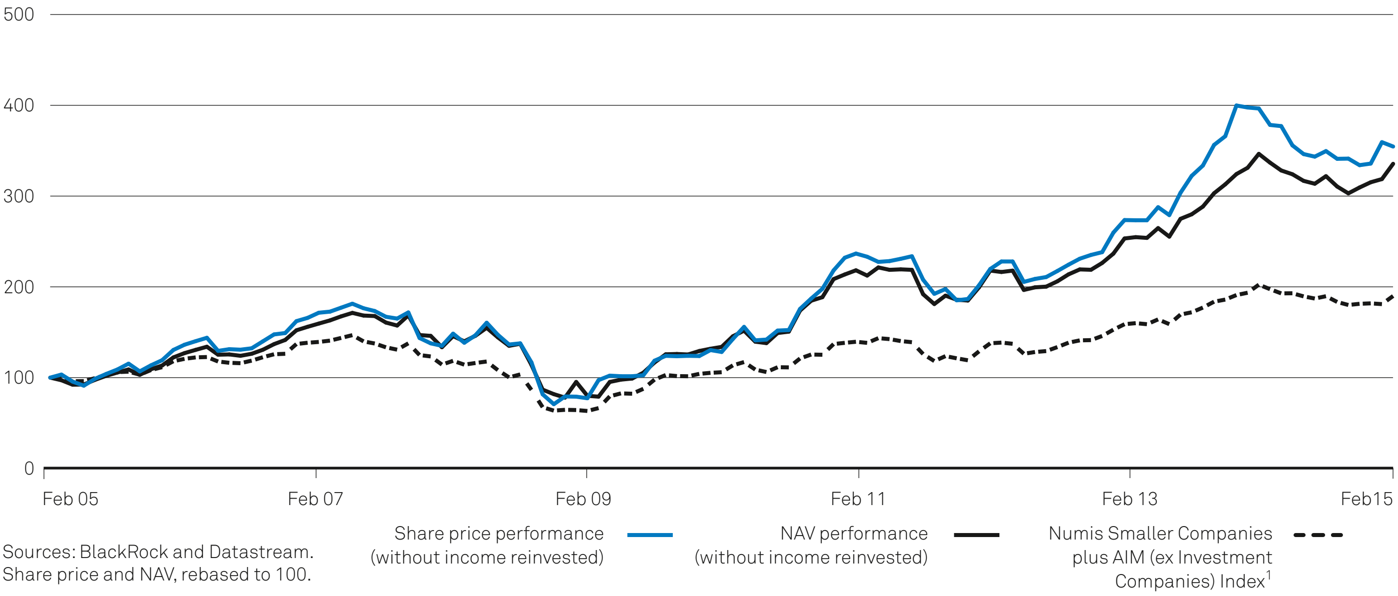
FINANCIAL HIGHLIGHTS

	Year ended 28 February 2015	Year ended 28 February 2014	Change %
Performance			
Net asset value per share	954.34p	985.47p	-3.2
Net asset value per share (debenture at par value, capital only)	942.91p	975.48p	-3.3
Net asset value per share (debenture at fair value)	946.91p	978.01p	-3.2
Numis Smaller Companies plus AIM (ex Investment Companies) Index	4,575.78	5,003.30	-8.5
Share price	812.00p	908.00p	-10.6
Revenue return per share	16.93p	14.59p	+16.0
Interim dividend per share	5.50p	4.60p	+19.6
Proposed final dividend per share	9.00p	7.40p	+21.6
Total dividends paid and payable in respect of the year ended	14.50p	12.00p	+20.8
Total assets less current liabilities (£'000)	496,828	511,720	-2.9
Equity shareholders' funds (£'000)	456,936	471,843	-3.2
Ongoing charges ratio[1]	0.7%	0.7%	
Ongoing charges ratio (including performance fees)	1.0%	1.0%	
Dividend yield	1.8%	1.3%	
Gearing	8.6%	8.2%	

1. Ongoing charges ratio calculated as a percentage of average shareholders' funds and using expenses, excluding finance costs, performance fees and taxation in accordance with AIC guidelines.

Source: BlackRock.

PERFORMANCE FROM 1 MARCH 2005 TO 28 FEBRUARY 2015



Sources: BlackRock and Datastream.
Share price and NAV, rebased to 100.

1. FTSE SmallCap Index (excluding Investment Companies) prior to 31 August 2007 and Numis Smaller Companies plus AIM (excluding Investment Companies) Index from 1 September 2007, rebased to 100. Excludes income reinvestment.

Overview

Chairman's statement

Over the last ten years your Company's share price has increased from 229.00p to 812.00p (up by 255%) and its Net Asset Value has consistently outperformed its benchmark. Your Company has increased its dividends in each of the last twelve years, from 4.42p to 14.50p (up by 228%).

Nicholas Fry

PERFORMANCE

During the year to 28 February 2015, the Company's net asset value ("NAV") decreased by 3.2% to 954.34p per share, compared with its benchmark, the Numis Smaller Companies plus AIM (excluding Investment Companies) Index[1], which fell by 8.5%. Your Company's share price fell by 10.6% to 812.00p per share[1].

The early part of the financial year was a period of sustained profit taking in UK smaller companies. Throughout the financial year markets have had to contend with a large number of concerns, whether economic, financial or geopolitical, which on the whole, despite some volatility, they have weathered well. Small capitalisation stocks underperformed mid and large capitalisation stocks; the FTSE AIM All Share Index[1] fell by 20.0% compared with the FTSE 250 Index[1] which rose by 3.3% and the FTSE 100 Index[1] which rose by 2.0%.

Although the Company's exposure to AIM holdings had an impact on absolute performance, on a relative basis the NAV outperformed the benchmark by a significant margin. This relative outperformance was driven both by good stock selection and favourable sector allocation. Overweight positions in the housebuilding, health care and chemicals sectors contributed positively, as did the portfolio's underweight position in oil producers. Details of the various contributors to performance can be found in the Investment Manager's Report on pages 10 and 11.

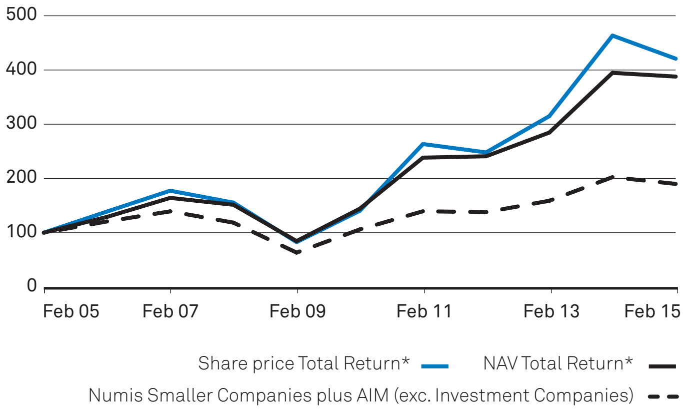
Since the financial year end, and up to 23 April 2015, the Company's NAV has increased by 4.0%, against an increase in the benchmark of 2.2%, and the share price has risen by 2.2%.

Over the longer term the Company's performance has substantially exceeded its benchmark, as shown in the table below.

Performance to 28 February 2015	1 Year	3 Years	5 Years	10 Years
	change %	change %	change %	change %
Net asset value per share	-3.2	54.0	150.7	235.6
Benchmark	-8.5	27.7	58.8	48.6
Net asset value per share (with income reinvested)	-1.8	61.0	169.0	287.9
Benchmark (with income reinvested)	-6.2	37.8	79.3	89.9
Share price (with income reinvested)	-9.2	69.7	199.9	320.9

The progression of the Company's total return performance (with income reinvested) over the last ten years is shown in the chart below.

SHARE PRICE AND TOTAL NAV RETURN VS BENCHMARK



*Data rebased to 100, with income reinvested.
Sources: BlackRock and Datastream.

1. All percentages in sterling terms without income reinvested.

EARNINGS AND DIVIDENDS

The Company's revenue return per share for the year ended 28 February 2015 increased by 16%, to 16.93p compared with 14.59p for the previous year. Regular dividends from portfolio companies rose by 15%.

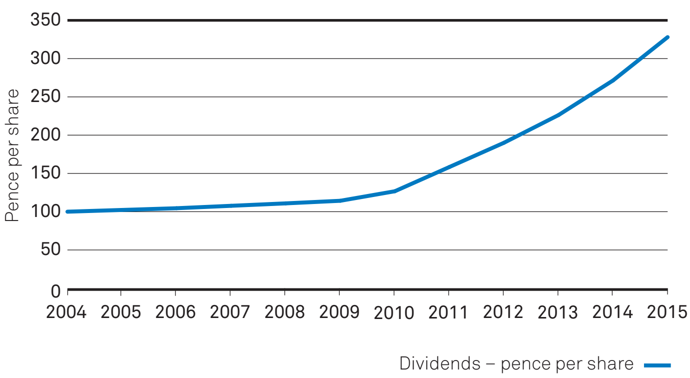
In October 2014 the Board declared an interim dividend of 5.50p per share (2013: 4.60p per share). The Directors are pleased to recommend the payment of a final dividend of 9.00p per share (2014: 7.40p per share), making a total for the year of 14.50p, an increase of almost 21% over the total dividend of 12.00p paid in the previous year. The compound annual increase in dividends paid over the past three years has been 20% per annum.

This increase in total dividends this year means that your Company has now increased its dividends every year for each of the last twelve years. At the beginning of March the Association of Investment Companies published a list of 'dividend heroes: the next generation' – investment companies which have increased their dividends each year for at least 10 years – and I was pleased to see that our Company was one of the companies commended in this respect. The Board is very conscious of the importance of income and yield to many investors, especially given the recent reform to pension rules. While the objective of the Company remains long term capital growth, it is clear that investing in smaller companies can also result in substantial income growth over the long term.

Subject to shareholder approval, the final dividend will be paid on 25 June 2015 to shareholders on the register on 22 May 2015; the ex-dividend date is 21 May 2015.

The profile of dividend growth over the last twelve years is shown in the graph below.

TWELVE YEAR DIVIDEND GROWTH*



*Excludes special dividends.
Data rebased to 100.
Sources: BlackRock and Datastream.

GEARING

The Company has in place a range of borrowing options in order to maximise flexibility and to reduce dependency on short term borrowings. As well as the Company's existing £15 million debenture, the Company has a £35 million three year revolving loan facility with Scotia Bank (Ireland) Limited and an uncommitted overdraft facility of £15 million.

It is the Board's intention that gearing will not exceed 15% of the net assets of the Company at the time of the drawdown of the relevant borrowings. Under normal operating conditions it is envisaged that gearing will be within a range of 0%-15% of net assets.

Gearing levels and sources of funding are reviewed regularly and the Board continues to believe that moderate gearing is in the long term interests of shareholders; for the year under review, gearing detracted by approximately 0.3% from performance. At the year end, the Company's gearing was 8.6% of net assets.

DISCOUNT

The share price stood at a discount to net asset value which averaged 11.4% over the year under review; the discount ranged from 5.8% to 16.0% and ended the year at 14.2% (all measured against NAV with debt at fair value). The Company's discount has since widened to 15.8% as at 23 April 2015.

ANNUAL GENERAL MEETING

The AGM of the Company will be held at the offices of BlackRock at 12 Throgmorton Avenue, London EC2N 2DL on 18 June 2015 at 11.30 a.m. Mike Prentis, the Portfolio Manager, will be making a presentation to shareholders on the Company's performance and the outlook for equity markets. The Directors and representatives of the Manager look forward to meeting shareholders informally after the meeting and I hope that as many shareholders as possible will choose to attend.

OUTLOOK

Internationally there are a number of potentially disruptive factors at play, including the stronger US dollar and the prospect of interest rate rises, increased tension in the Middle East and Ukraine and concern about financial and political developments in the European Union.

Against that background, the US economy is recovering and in continental Europe the European Central Bank is taking measures to stimulate the economy. Many emerging markets have suffered as a result of lower oil and metals prices and the rising dollar. Your Portfolio Manager favours exposure to businesses benefiting from stronger global growth.

In the UK the impending General Election brings considerable uncertainty, which could well affect the equity market. A result which would lead to a referendum on the UK's membership of the European Union could also create instability. Your Portfolio Manager believes that favourable economic factors should support consumer stocks but is wary of exposure to government and corporate spending given the possibility of an indecisive election result.

Our portfolio is well diversified and consists largely of companies that are well managed, trading successfully, are

Chairman's statement continued

soundly financed and cash generative and are sensibly valued. Your Board is confident that this approach will continue to lead to rewarding results in the medium term.

NICHOLAS FRY
Chairman
27 April 2015

Overview

Strategic report

The Directors present the Strategic Report of the Company for the year ended 28 February 2015. The aim of the Strategic Report is to provide shareholders with the information to assess how the Directors have performed their duty to promote the success of the Company for the collective benefit of shareholders.

PRINCIPAL ACTIVITY

The Company carries on business as an investment trust and its principal activity is portfolio investment. Investment trusts, like unit trusts and OEICs, are pooled investment vehicles which allow exposure to a diversified range of assets through a single investment, thus spreading, although not eliminating investment risk.

OBJECTIVE

The Company's prime objective is to achieve long term capital growth for shareholders through investment mainly in smaller UK quoted companies. No material change will be made to this objective without shareholder approval.

STRATEGY, BUSINESS MODEL AND INVESTMENT POLICY

To achieve its investment objective the Company invests predominantly in UK Smaller Companies which are listed on the London Stock Exchange or on the Alternative Investment Market (AIM). The Board's current intention is that the value of AIM listed stocks as a percentage of the Company's portfolio should not exceed 40%. The Manager's approach in determining the optimal exposure to AIM investments, subject to the parameters set by the Board, is to focus on the merits of the underlying company and to seek value rather than to focus on the exchange on which the holding is listed, and consequently the level of exposure to AIM investments will vary from time to time. The Company may also invest in securities which are listed overseas but have a secondary UK quotation. Although investments are primarily in companies listed on recognised stock exchanges, the Investment Manager may also invest in unquoted securities with the prior approval of the Board.

Business model

The Company's business model follows that of an externally managed investment trust, therefore the Company does not have any employees and outsources its activities to third party service providers including the Manager who is the principal service provider.

The management of the investment portfolio and the administration of the Company have been contractually delegated to the Manager. The Manager, operating under guidelines determined by the Board, has direct responsibility for the decisions relating to the day-to-day running of the Company and is accountable to the Board for the investment, financial and operating performance of the Company.

Other service providers include the Depositary, BNY Mellon Trust & Depositary (UK) Limited, the Administrator, Bank of New York Mellon (International) Limited, and the Registrar, Computershare Investor Services PLC (Computershare).

Details of the contractual terms with third party service providers are set out in the Directors' Report.

Investment policy

The Manager has adopted a consistent investment process, focusing on good quality growth companies that are trading well; stock selection is the primary focus but consideration is also given to sector weightings and underlying themes. Whilst there are no set limits on individual sector exposures against the Company's benchmark, a schedule of sector weightings is presented at each Board meeting for review.

In applying the investment objective, the Investment Manager expects the Company to be fully invested and to borrow as and when appropriate. The Company seeks to achieve an appropriate spread of investment risk by investing in a number of holdings across a range of sectors.

The Company may not hold more than 5% of the share capital of any company in which it has an investment. In addition, while the Company may hold shares in other listed investment companies (including investment trusts) the Board has agreed that the Company will not invest more than 15% of its total assets in other UK listed investment companies.

The Investment Manager will not deal in derivatives without the prior approval of the Board and derivative instruments, such as options and futures contracts, have not been used during the year.

Performance is measured against an appropriate benchmark, the Numis Smaller Companies plus AIM (excluding Investment Companies) Index.

GEARING POLICY

The Manager believes that gearing can add value over the long term. The Company currently has £15 million of debenture stock in issue, a £35 million multi-currency revolving loan facility with Scotia Bank (Ireland) Limited and a bank overdraft facility of £15 million with Bank of New York Mellon (International) Limited (BNYM).

The benefits of gearing are discussed and the effective level agreed with the Board regularly. It is intended that gearing will not exceed 15% of the net assets of the Company at the time of the drawdown of the relevant borrowings and at the balance sheet date gearing stood at 8.6% of net assets. Under normal operating circumstances, it is envisaged that gearing will fall in a range between 0%-15% of net assets.

PORTFOLIO ANALYSIS

A detailed analysis of the portfolio has been provided on pages 14 to 16.

Strategic report continued

PERFORMANCE

Details of the Company's performance including the dividend are set out in the Chairman's Statement on pages 4 and 5.

The Chairman's Statement on pages 4 to 6 and the Investment Manager's Report on pages 10 and 11 form part of this Strategic Report and include a review of the main developments during the year, together with information on investment activity within the Company's portfolio.

RESULTS AND DIVIDENDS

The results for the Company are set out in the Income Statement on page 38. The total net loss for the year, after taxation, was £8,731,000 (2014: profit of £132,223,000) of which the revenue return amounted to £8,105,000 (2014: profit of £6,987,000), and the capital loss amounted to £16,836,000 (2014: profit of £125,236,000).

The Company's revenue return amounted to 16.93p per share (2014: 14.59p).

The Directors recommend the payment of a final dividend of 9.00p per share as set out in the Chairman's Statement on page 5.

KEY PERFORMANCE INDICATORS

At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in achieving its objectives. The key performance indicators (KPIs) used to measure the progress and performance of the Company over time and which are comparable to those reported by other investment trusts are set out below.

	2015	2014
Net asset value per share (debenture at par)	954.34p	985.47p
Net asset value per share (debenture at fair value)	946.91p	978.01p
Net asset value per share (debenture at par value, capital only)	942.91p	975.48p
Share price	812.00p	908.00p
NAV total return performance	-1.8%	38.7%
Discount to NAV with debenture at fair value	14.2%	7.2%
Revenue return per share	16.93p	14.59p
Ongoing charges[1]	0.7%	0.7%
Ongoing charges (including performance fees)	1.0%	1.0%

1. Calculated as a percentage of average shareholders' funds and using expenses, excluding finance costs, performance fees and taxation in accordance with AIC guidelines.

Sources: BlackRock and Datastream.

Additionally, the Board regularly reviews a number of indices and ratios to understand the impact on the Company's relative performance of the various components such as asset allocation and stock selection. The Board also reviews the performance and ongoing charges of the Company against a peer group of UK smaller companies trusts and open ended funds.

The Directors recognise that it is in the long term interests of shareholders that shares do not trade at a significant discount to their prevailing net asset value. During the year the shares traded between a discount of 5.8% and a discount of 16.0%, ending the year at 14.2% (based on NAV with debt at fair value).

The Board believes that the best way of addressing the discount over the long term is to create demand for the shares in the secondary market. To this end the Investment Manager is devoting considerable effort to broadening the awareness of the Company's outstanding attractions particularly to wealth managers and to the wider retail shareholder market. Over the last four years, the number of shares held by retail shareholders has increased from 20% to nearly 50%.

PRINCIPAL RISKS

The key risks faced by the Company are set out below. The Board regularly reviews and agrees policies for managing each risk, as summarised below.

- Performance risk – The Board is responsible for deciding the investment strategy to fulfil the Company's objectives and monitoring the performance of the Investment Manager. An inappropriate strategy may lead to underperformance against the benchmark index. To manage this risk the Investment Manager provides an explanation of significant stock selection decisions and the rationale for the composition of the investment portfolio. The Board monitors and mandates an adequate spread of investments, in order to minimise the risks associated with factors specific to particular sectors and based on the diversification requirements inherent in the Company's investment policy. The Board also receives reports showing an analysis of the Company's performance against the benchmark. Past performance is not necessarily a guide to future performance and the value of your investment in the Company and the income from it can fluctuate as the value of the underlying investments fluctuate.

- Market risk – Market risk arises from volatility in the prices of the Company's investments. It represents the potential loss the Company might suffer through holding investments in the face of negative market movements. The Board considers asset allocation, stock selection and levels of gearing on a regular basis and has set investment restrictions and guidelines which are monitored and reported on by the Investment Manager. The Board monitors the implementation and results of the investment process with the Investment Manager.

- Income/dividend risk – The amount of dividends and future dividend growth will depend on the Company's underlying portfolio. Any change in the tax treatment of the dividends or interest received by the Company may reduce the level of dividends received by shareholders. The Board monitors this risk through the receipt of detailed income forecasts and considers the level of income at each meeting.

- Regulatory risk – The Company operates as an investment trust in accordance with Chapter 4 of Part 24 of the Corporation Tax Act 2010. As such, the Company is exempt from capital gains tax on the profits realised from the sale of its investments. The Investment Manager monitors the amount of retained income to ensure that the provisions of Chapter 4 of Part 24 of the Corporation Tax Act 2010 are not breached and the results are reported to the Board at each meeting. Following authorisation under the Alternative Investment Fund Managers' Directive (AIFMD), the Company and its appointed Alternative Investment Fund Manager (AIFM or Manager) are subject to the risks that the requirements of this Directive are not correctly complied with. The Board and Investment Manager also monitor changes in government policy and legislation which may have an impact on the Company.

- Operational risk – In common with most other investment trust companies, the Company has no employees. The Company therefore relies upon the services provided by the Manager, the Investment Manager, BNYM Mellon Trust & Depositary (UK) Limited (the Depositary) and the Bank of New York Mellon (International) Limited, who maintain the Company's accounting records.

  The security of the Company's assets, dealing procedures, accounting records and maintenance of regulatory and legal requirements, depends on the effective operation of these systems. These have been regularly tested and monitored throughout the year as evidenced through their Service Organisation Control (SOC 1) reports and are reported on by their service auditors which gives assurance regarding the effective operation of controls. In addition, the Depositary reports to the Company's Audit Committee on a semi-annual basis on the results of periodic site visits to the Company's custodian and fund administrator, where controls are reviewed and tested. The Board also considers business continuity arrangements for the Company's key service providers.

- Financial risks – The Company's investment activities expose it to a variety of financial risks that include market price risk, currency risk, interest rate risk, liquidity risk and credit risk. Further details are disclosed in note 18 on pages 51 to 56, together with a summary of the policies for managing these risks.

FUTURE PROSPECTS

The Board's main focus is to achieve long term capital growth. The future performance of the Company is dependent upon the success of the investment strategy and, to a large extent, on the performance of financial markets. The outlook for the Company in the next twelve months is discussed in the Chairman's Statement on pages 5 and 6 and the Investment Manager's Report on page 11.

SOCIAL, COMMUNITY AND HUMAN RIGHTS ISSUES

As an investment trust, the Company has no direct social or community responsibilities. However, the Directors believe that it is in shareholders' interests to consider human rights issues, environmental, social and governance matters when selecting and retaining investments. Details of the Company's policy on socially responsible investment are set out on page 31.

DIRECTORS AND EMPLOYEES

The Directors of the Company on 28 February 2015, all of whom held office throughout the year, are set out on page 18. The Board consists of three men and two women. The Company does not have any employees.

The information set out on pages 4 to 16 including the Chairman's Statement and the Investment Manager's Report, forms part of the Strategic Report.

The Strategic Report was approved by the Board at its meeting on 27 April 2015.

BY ORDER OF THE BOARD

BLACKROCK INVESTMENT MANAGEMENT (UK) LIMITED
Company Secretary
27 April 2015

Performance

Investment manager's report

Your Company continues to outperform its benchmark and we have seen good results from portfolio companies which we anticipate will translate through to share prices

Mike Prentis

MARKET REVIEW AND OVERALL INVESTMENT PERFORMANCE

This has been a difficult year for UK small and midcap equities. From the start of the financial year we saw sustained profit taking in our universe. There has been a lot for markets to worry about ranging from the likely timing of interest rate rises in the UK and US, the weakness of continental European economies, problems in Ukraine, Middle East and Hong Kong, slowing growth in China and finally a collapse in the oil price. This is not a helpful background for smallcap equities which traditionally underperform in periods of uncertainty.

Over the year the Company's NAV per share fell by 3.2% to 954.34p; the benchmark fell by 8.5%, whilst the FTSE100 Index rose by 2.0%, all without dividends reinvested. Disappointingly, our share price fell rather more as the discount widened.

PERFORMANCE REVIEW

We did have some excellent performers during the year, notably Workspace Group, Hyder Consulting, Hutchison China Meditech, CVS Group and Avon Rubber, with share price increases ranging from 20% to 66%.

Workspace Group has experienced strong demand for its flexible office space most of which is located on the periphery of central London. Occupancy and rents have continued to improve and the yield at which the portfolio is valued has fallen, increasing the capital value of the properties. We still see scope for further improvement on all fronts.

Hyder Consulting was acquired by Arcadis following a competitive bid process. Hutchison China Meditech develops, manufactures and markets a range of prescription and over-the-counter botanical based pharmaceutical products. Revenues and profits continue to grow well. It also has a drug research and development business which is mainly focused on developing therapies in oncology. Some of the clinical results are very encouraging and the potential remains significant.

CVS Group own and operate veterinary surgeries around the UK. It is a well and entrepreneurially run business which has improved systems, buying and customer care as its scale has grown.

Avon Rubber had strong results with a 30% increase in earnings per share. It continues to win new contracts both in its protection and defence business and also its milk business. Still a relatively small business in market capitalisation terms it is very international, a reflection on its ability to provide products and services that its customers really need.

Several stocks detracted from performance, notably Xaar, Blinkx and Boohoo. Xaar, one of our best performers in the previous year, struggled to replicate past performance and saw competitors catching up. We reduced our position. Blinkx, also a strong performer in the previous financial year, indicated revenue growth had slowed from the high levels previously achieved; we sold our holding. Boohoo indicated that sales for the 4 months to December 2014 were up by 25%, a good performance but was below market expectations.

Sector allocation was also favourable. The Company benefited from being underweight in oil producers and services and in insurance companies providing annuity products and overweight in house builders, health care equipment, and chemicals. However, our underweight sector positions in food producers and travel & leisure companies detracted from performance.

ACTIVITY

We continued to be fairly active within the portfolio but more so at the smaller end. We have sold some holdings where we believe growth prospects are not strong enough to justify the valuation. We have also added some new holdings which mainly fall into three areas: predictable growth companies, companies likely to benefit from eventual recovery in continental Europe and new listings via IPOs.

Predictable growth companies include Berendsen, Hellermann Tyton and Restore. Restore manages and stores information in paper and digital form for businesses, enabling quick retrieval and ultimately confidential disposal. Recurring revenues are high and profits have grown strongly in recent years.

Lavendon, Bodycote and Acal are examples of stocks bought to benefit from a European recovery. These stocks were purchased during the first half when recovery looked more imminent.

Amongst the IPOs we invested in FDM and most recently Fever-Tree Drinks. Fever-Tree develops and sells high quality soft drinks including tonic water. Sales have grown strongly and are becoming more international.

PORTFOLIO POSITIONING

In the UK the impending election brings uncertainty, but UK consumer stocks should continue to do well due to rising employment, better job security, some signs of wage growth and lower energy costs. Our exposure in this area includes house builders, such as Bovis Homes Group and Redrow, housing related companies such as Topps Tiles, Marshalls and Headlam Group, and other consumer stocks such as Ted Baker, CVS Group, Young & Co's Brewery, Fuller Smith & Turner and Cineworld. We also have exposure to non-prime London through Workspace Group, Telford Homes and Quintain Estates & Development. We remain wary of Government spending related stocks. Corporate spending could be impacted by the likely unclear election result and possible weak future government, and this could hold back some investment plans.

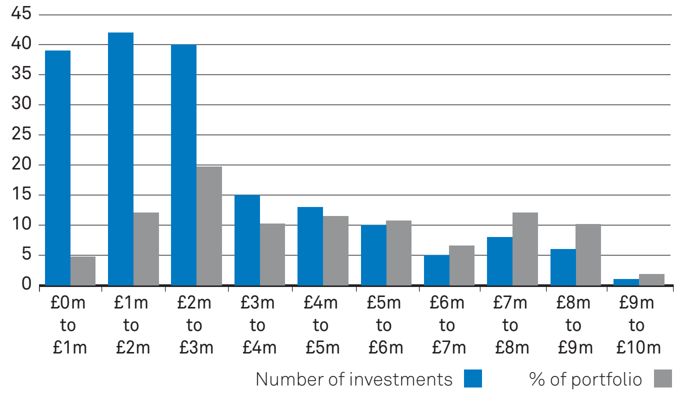
The US economy looks to be in recovery. Our portfolio exposure includes 4imprint Group, Tyman and Gemfields. The US government is still delaying on federally funded infrastructure. Turning to continental Europe, the European Central Bank is now taking action to stimulate the continental European economy. Growth is picking up in Spain and Ireland and now coming through in Germany. Our exposure is through various recovery stocks such as Northgate, Lavendon, SIG and Bodycote.

Growth in China is slowing, although still strong, but emphasis on infrastructure spending has been much reduced. Many other emerging markets have been impacted by the fall in the oil and metals prices and by currency movements. Their strengths of younger, well-educated workforces and low government debt levels remain major assets for the future. India, a rejuvenated giant, is benefiting from lower energy costs given much of its oil is imported. Our exposure to emerging markets is through consumer related stocks such as Hutchison China Meditech, International Personal Finance and Petra Diamonds.

More generally, we hold stocks exposed to stronger global growth such as Victrex, Elementis, Savills and Robert Walters. We like businesses with highly predictable revenues such as Rathbones, Senior Engineering Group, Restore, Diploma and Dechra Pharmaceuticals. We also like new technology and practices, with holdings in Advanced Medical Solutions, Avon Rubber, Skyepharma and Consort Medical.

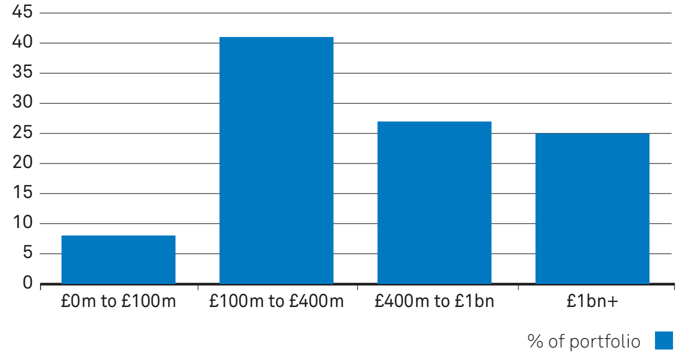
We have remained well diversified with a clear emphasis on companies that are trading well, seeing good share price momentum, are reasonably valued and generally small relative to our benchmark. Our aim is to own a portfolio of companies which can grow into much larger businesses ideally without having to return to shareholders for more capital.

INVESTMENT SIZE AS AT 28 FEBRUARY 2015



Source: BlackRock.

MARKET CAPITALISATION OF OUR PORTFOLIO COMPANIES AS AT 28 FEBRUARY 2015



Source: BlackRock.

OUTLOOK

Global growth forecasts look mixed with the US and UK faring relatively well, but with continental Europe showing some signs of improvement, and lower growth expected in China. The recent fall in the oil price should be a bonus for global growth. Tensions remain around the world in particular in Ukraine and parts of the Middle East. In the UK we have a general election in May with all the inherent uncertainties expected before and after the vote.

Our portfolio is well diversified and largely comprised of well run, profitable, cash generative and soundly financed companies which are usually outperforming their competition. We have seen good results from many in recent weeks and we expect this to continue. Valuations are more reasonable than this time last year as earnings have grown and share prices have, on average, slipped slightly.

MIKE PRENTIS
BlackRock Investment Management (UK) Limited
27 April 2015

Performance

Summary of the ten largest investments 28 February 2015

Set out below is a brief description by the Investment Manager of the Company's ten largest investments.

WORKSPACE GROUP: 1.9% (2014: 1.8%) is a provider of premises tailored to the needs of new and growing businesses across London. It owns more than 100 properties in London providing 5.2 million square feet of space which is home to some 4,000 businesses employing more than 30,000 people. Workspace provides the right properties to attract and retain customers giving them the flexibility to adjust the space they need to help them grow. Occupancy levels have continued to increase as have rents per square foot. Workspace has also supplemented core operational income and capital values by redeveloping certain property assets. This has enabled the company's net asset value to grow steadily and we expect this to continue as London thrives and creates more jobs.

BODYCOTE: 1.8% (2014: 0.7%) is a leading provider of thermal processing services worldwide. Thermal processing encompasses a variety of techniques and specialist engineering processes which improve the properties of metals and alloys and extend the life of components. These are a vital part of many manufacturing processes. Through its global network of more than 180 facilities, and the experience and knowledge of its people, Bodycote is well placed to offer a high quality, reliable and cost effective specialist service to manufacturers. It supplies most sectors including aerospace and automotive, and is well placed to benefit from increasing global economic growth.

SENIOR ENGINEERING GROUP: 1.8% (2014: 1.7%) is an international manufacturing group providing engineered products for demanding operating environments. The group's strategy is to focus on sectors where it is positioned to benefit from both global market growth and increasingly stringent emissions control legislation. Senior operates through two Divisions: Aerospace, which serves both the commercial aerospace and defence markets and Flexonics, which serves automotive and other industrial markets. The company is particularly closely aligned to the growth of the commercial aerospace sector and especially to wide bodied aircraft production. Senior's designed in products and high order book give it excellent revenue visibility. Growth in earnings in recent years has been good and the shares remain modestly rated.

TYMAN: 1.7% (2014: 0.9%) is a leading international supplier of building products to the door and window industry. It manufactures a range of seals, extruded products, hardware and specialities. These products help improve the performance and enhance the security and protection of windows and doors. Approximately 60% of Tyman's sales are within North America where it is benefiting from a pickup in housebuilding in the US and a gradual increase in spending on housing repairs, trends we expect to continue.

LOOKERS: 1.7% (2014: 1.0%) is one of the leading motor retailer and aftermarket groups in the UK. It trades as Lookers in England and Wales, as Taggarts and the Lomond Group in Scotland, and as Charles Hurst in Northern Ireland and parts of the Republic of Ireland. Lookers has more than 120 franchised dealerships and represents more than 30 of the world's car manufacturers; it also has very active and profitable used and after sales businesses. Lookers additionally operates a parts distribution business which supplies the independent automotive aftermarket, a segment focused on the large number of UK vehicles that are more than 4 years old. Lookers continues to show strong earnings growth helped by the wish of continental European car manufacturers to sell more cars in the UK.

ST MODWEN PROPERTIES: 1.6% (2014: 1.1%) is the UK's leading land regeneration specialist. St Modwen Properties aims to acquire assets at low value and then maximise their potential by steadily adding value through remediation and planning. Their expertise in brownfield land remediation and other aspects of regeneration makes them an attractive partner to both landowners and public bodies. Current schemes includes the New Covent Garden market on the South Bank in London, and the £1 billion regeneration of Longbridge in the West Midlands. St Modwen Properties has an excellent record of increasing net assets per share, a record we expect to continue.

RATHBONE BROTHERS: 1.6% (2014: 1.0%) is one of the UK's leading providers of investment management services for private clients, charities and professional advisers. Rathbone Brothers manages funds in excess of £27 billion, and yet has only a relatively small share of its target market. We believe its approach and highly regarded brand will enable it to continue to grow funds under management and earnings over the medium to long term.

AVON RUBBER: 1.6% (2014: 1.4%) is an engineering company which is focused on two core markets, protection & defence and dairy. The protection & defence business is the global leader in advanced chemical, biological, radiological and nuclear respiratory protection solutions for use by the military, national security and emergency services. The company's principle products are a range of respiratory masks and replacement filters. There is scope to grow considerably in its core US market as well as overseas. The dairy business manufactures and supplies dairy liners and tubing both to OEM manufacturers of milking parlour systems and directly to farms under its market leading Milkrite brand. Growth has been strong in both divisions and looks well set.

4IMPRINT GROUP: 1.6% (2014: 0.7%) is a leading supplier of promotional products operating almost wholly in the US market. It sells an extensive range of products to individuals in businesses and organisations of all sizes, typically customised with the customers' brand or logo. Its growth continues to be very strong, underpinned by a range of data-driven traditional and online marketing. In 2014 4imprint grew revenues organically by 25% and earnings per share up by 32%. It continues to have excellent growth prospects not least because of the strength of the US economy but also its low market share, of less than 5%, in a highly fragmented market.

HEADLAM GROUP: 1.5% (2014: 1.4%) is the UK's leading distributor of a wide range of products sourced from floorcovering suppliers across the world. These are sold to a customer base which mainly comprises independent floorcovering retailers and contractors. Headlam Group is well invested and should continue to grow earnings as market conditions improve.

All percentages reflect the value of the holding as a percentage of total investments. For this purpose, where more than one class of securities is held, these have been aggregated. The percentages in brackets represent the value of the holding as at 28 February 2014. Together, the ten largest investments represent 16.8% of total investments (ten largest investments as at 28 February 2014: 16.4%).

Performance

Fifty largest investments

Company	Market value £'000	% of total portfolio	Business activity
Workspace Group	9,267	1.9	Supply of flexible workspace to businesses in London
Bodycote	8,732	1.8	Provider of thermal processing services
Senior Engineering Group	8,719	1.8	Manufacture and supply of components for the aerospace and automotive sector
Tyman	8,399	1.7	Manufacture and supply of window and door components
Lookers	8,301	1.7	Supply of cars and after market parts and services
St. Modwen Properties	8,114	1.6	Property investment and development
Rathbone Brothers	8,000	1.6	Private client fund management
Avon Rubber	7,963	1.6	Production of safety masks and dairy related products
4imprint Group	7,878	1.6	Supply of promotional merchandise in the US
Headlam Group	7,432	1.5	Distribution of carpets and other floor coverings
Polar Capital Holdings	7,411	1.5	Investment management
Savills	7,357	1.5	Provision of property services
CVS Group	7,350	1.5	Operation of veterinary surgeries
Ted Baker	7,218	1.5	Design and sale of fashion clothing
Bovis Homes Group	7,135	1.4	Housebuilding
Northgate	6,606	1.4	Van rental
Dechra Pharmaceuticals	6,397	1.4	Development and supply of pharmaceutical and other products focused on the veterinary market
Hutchison China Meditech	6,239	1.3	Development and supply of traditional Chinese medicines to the Chinese market
Elementis	6,220	1.3	Manufacture of additives that enhance the feel, flow and finish of everyday products
Cineworld	6,070	1.2	Operation of cinemas
Victrex	5,945	1.2	Manufacture and supply of PEEK thermoplastic products
Topps Tiles	5,896	1.1	Sourcing and retail of ceramic tiles
Grainger	5,765	1.1	Ownership and rental of residential property
Advanced Medical Solutions	5,642	1.1	Development and provision of leading edge technology in global wound care and wound closure markets
Brewin Dolphin	5,371	1.1	Private client fund management
Consort Medical	5,308	1.1	Manufacture of drug delivery devices
Galliford Try	5,275	1.1	Housebuilding and construction
Quintain Estates & Development	5,265	1.0	Property investment and development
Lavendon	5,158	1.0	Rental of powered aerial work platforms
Walker Greenbank	5,093	1.0	Design, manufacture and distribution of wallcoverings and furnishing fabrics
Dunelm Group	4,989	1.0	Supply of home furnishings
Redrow	4,924	1.0	Housebuilding
Restore	4,850	0.9	Management of business information in both paper and digital form
Marshalls	4,727	0.9	Manufacture and sale of concrete and stone paving and related products
Kier	4,624	0.9	Construction, property development and the provision of maintenance services
Skyepharma	4,610	0.9	Design and manufacture of drug delivery systems
James Fisher & Sons	4,431	0.9	Provision of marine services
Restaurant Group	4,418	0.9	Operation of branded restaurants
Gemfields	4,269	0.9	Supply of responsibly sourced coloured gemstones
Gooch & Housego	4,269	0.8	Design and manufacture of precision optical components, subsystems and instruments used to transmit and measure light
International Personal Finance	4,211	0.8	Provision of credit to individuals
Petra Diamonds	4,184	0.8	Diamond mining
Young & Co's Brewery – Non-voting – A shares	2,049 1,981	0.8	Ownership of pubs in the London area
UTV Media	3,981	0.8	Television and radio broadcasting

Company	Market value	% of total portfolio	Business activity
	£'000		
Diploma	3,750	0.8	Supply of specialised technical products and services
Vertu Motors	3,750	0.8	Retail of new and used cars and provision of aftermarket services
Fuller Smith & Turner – A shares	3,733	0.8	Ownership of pubs in the London area
SIG	3,715	0.7	Supply of insulation, roofing and interior fit out materials
City of London Investment Group	3,661	0.7	Fund management
Big Yellow	3,348	0.7	Provision of self-storage and related services
50 largest investments	290,000	58.4	
Remaining investments	206,332	41.6	
Total	**496,332**	**100.0**	

A complete listing of all of the Company's portfolio holdings as at 28 February 2015 is given on the Company's website at the following link: www.blackrock.com/uk/individuals/literature/fund-update/brsct-portfolio-disclosure.pdf. At 28 February 2015, the Company did not hold any equity interests comprising more than 3% of any company's share capital other than as disclosed in the table below:

Company	% owned
Walker Greenbank plc	4.4
Air Partner Plc	4.3
Richland Resources Ltd	4.2
Brainjuicer Group plc	4.2
Lifeline Scientific Inc.	4.1
City of London Investment Group Plc	4.0
Hayward Tyler Group Plc	3.5
Avon Rubber Plc	3.4
Northbridge Industrial Services Plc	3.3
4imprint Group Plc	3.1
Kalibrate Technologies Plc	3.0

COMPARATIVES FOR TEN LARGEST INVESTMENTS

Company	2015 Market value	2015 % of total portfolio	2014 Market value	2014 % of total portfolio
	£'000		£'000	
Workspace Group	9,267	1.9	9,110	1.8
Bodycote	8,732	1.8	3,684	0.7
Senior Engineering Group	8,719	1.8	8,596	1.7
Tyman	8,399	1.7	4,643	0.9
Lookers	8,301	1.7	5,242	1.0
St. Modwen Properties	8,114	1.6	5,597	1.1
Rathbone Brothers	8,000	1.6	4,929	1.0
Avon Rubber	7,963	1.6	7,204	1.4
4imprint Group	7,878	1.6	3,757	0.7
Headlam Group	7,432	1.5	7,178	1.4
	82,805	**16.8**	**59,940**	**11.7**

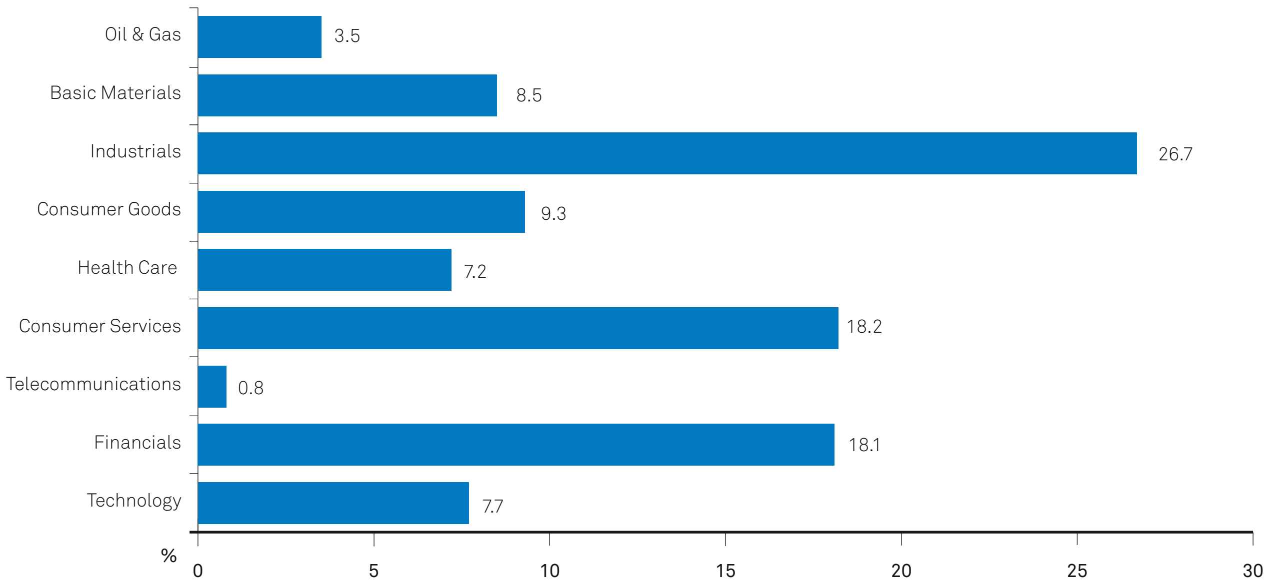
Performance

Distribution of investments

Sector	% of portfolio
Oil & Gas Producers	3.5
Oil & Gas	**3.5**
Mining	4.0
Chemicals	4.5
Basic Materials	**8.5**
Industrial Transportation	2.4
Electronic & Electrical Equipment	2.8
Industrial Engineering	3.6
Construction & Materials	3.7
Aerospace & Defence	3.9
Support Services	10.3
Industrials	**26.7**
Leisure Goods	0.1
Beverages	0.5
Personal Goods	1.5
Household Goods & Home Construction	7.2
Consumer Goods	**9.3**
Health Care Equipment & Services	2.9
Pharmaceuticals & Biotechnology	4.3
Health Care	**7.2**

Sector	% of portfolio
Travel & Leisure	4.9
Media	6.1
General Retailers	7.2
Consumer Services	**18.2**
Fixed Line Telecommunications	0.8
Telecommunications	**0.8**
Equity Investment Instruments	0.3
Nonlife Insurance	0.5
Banks	0.7
Real Estate Investment Trusts	3.2
Real Estate Investment & Services	5.3
Financial Services	8.1
Financials	**18.1**
Technology Hardware & Equipment	0.6
Software & Computer Services	7.1
Technology	**7.7**

ANALYSIS OF PORTFOLIO VALUE BY SECTOR



Source: BlackRock.

Governance

Governance structure

Responsibility for good governance lies with the Board. The governance framework of the Company reflects that as an investment company, the Company has no employees, the Directors are all non-executive and the investment management and administration functions are outsourced to the Manager and other service providers.

The Board

Five non-executive Directors (NEDs), all independent of the Manager

Chairman: Nicholas Fry (since June 2012)

5 scheduled meetings per annum

Objectives:

- To determine the Company's strategy including investment policy and investment guidelines;
- To provide leadership within a framework of prudent and effective controls which enable risk to be assessed and managed and the Company's assets to be safeguarded; and
- To challenge constructively and to scrutinise the performance of all outsourced activities.

Committees

Audit Committee	Nomination Committee	Management Engagement Committee
3 scheduled meetings per annum	**1 scheduled meeting per annum**	**1 scheduled meeting per annum**
Membership: All NEDs.	**Membership:** All NEDs.	**Membership:** All NEDs.
Chairman: Michael Peacock (since July 2012).	**Chairman:** Nicholas Fry (since June 2012).	**Chairman:** Nicholas Fry (since June 2012).
Key objectives:	**Key objectives:**	**Key objectives:**
▸ To oversee financial reporting; ▸ To consider the adequacy of the control environment; and ▸ Review and form an opinion on the effectiveness of the external audit process.	▸ To regularly review the Board's structure and composition; ▸ To be responsible for the Board succession planning; and ▸ To make recommendations for any new appointments.	▸ To ensure that the provisions of the management agreement follow industry practice, remain competitive and are in the best interest of shareholders; ▸ To review the performance of the Manager; and ▸ To review other service providers.

Terms of reference for each of the committees are available at blackrock.co.uk/brsc

Governance

Directors' biographies

DIRECTORS

Nicholas Fry

Chairman, appointed a Director in January 2005 and became Chairman in June 2012, is chairman of Pembroke Heritage Fund Limited and was previously a non-executive director of Pochin's plc. After qualification as a chartered accountant, he spent much of his career in investment banking, for many years with S.G. Warburg & Co. Limited (now part of UBS AG). He was a partner in KPMG between 1998 and 2002 and senior adviser to KPMG Corporate Finance until March 2005. He brings to the Board a wide experience of City matters, with particular emphasis on banking and professional services, and experience as a non-executive director of listed and unlisted smaller companies since 2005.

Attendance record:

Board: 5/5
Audit Committee: 3/3
Management Engagement Committee: 1/1
Nomination Committee: 1/1

Michael Peacock

Audit Committee Chairman, appointed a Director in July 2012, is a non-executive director and was previously chairman of the audit committee of Regenersis plc. A qualified chartered accountant, he has over 19 years' experience in a number of senior roles in industry, and was the group finance director of Victrex plc until his retirement in 2010. He also spent a number of years in corporate finance, first at Hill Samuel & Co Limited and between 1987 and 1990 at Barclays De Zoete Wedd Limited.

Attendance record:

Board: 5/5
Audit Committee: 3/3
Management Engagement Committee: 1/1
Nomination Committee: 1/1

Gillian Nott

Senior Independent Director, appointed a Director in January 2005, is a non-executive director of JP Morgan Russian Securities plc and Baronsmead VCT 2, VCT 3 and VCT 5 plc, and was previously chairman of Witan Pacific Investment Trust plc and a non-executive director of Martin Currie Global Portfolio Investment Trust plc. After a career working and investing in predominantly smaller companies, albeit within large corporations, she moved to run ProShare, an organisation committed to lobbying on behalf of private investors and educating the public about personal finance. She was previously on the Board of the FCA and was until December 2013 a Deputy Chairman of the Association of Investment Companies. She thus brings to the Board an understanding of the Company's investment universe as well as a strong background in regulatory matters and the retail investment market.

Attendance record:

Board: 5/5
Audit Committee: 3/3
Management Engagement Committee: 1/1
Nomination Committee: 1/1

Caroline Burton

Appointed in July 2011, is a non-executive director of TR Property Investment Trust plc and Liverpool Victoria and a member of the appointments committee of the Hermes Property Unit Trust. She has almost forty years of investment experience across a wide range of asset classes and geographies acting with a variety of different types of investor. She has been involved with investment trusts for many years, as well as with insurance companies, wealth managers and pension funds.

Attendance record:

Board: 5/5
Audit Committee: 3/3
Management Engagement Committee: 1/1
Nomination Committee: 1/1

Robert Robertson

Appointed in April 2008, is a director of Lowland Investment Company plc and Metallon Corporation plc and chairman of S and J D Robertson Group. He was previously chairman of, Buro Happold Engineers Limited, West China Cement Limited and Cemate (Europe) plc, and chief executive of Tarmac Group Limited and Anglo American's Industrial Minerals division. His early career was in finance, working in London, Paris, Johannesburg, New York and Rio de Janeiro. He brings almost forty years' experience in industry, a considerable amount of which being with smaller companies.

Attendance record:

Board: 5/5
Audit Committee: 3/3
Management Engagement Committee: 1/1
Nomination Committee: 1/1

None of the Directors has a service contract with the Company. The terms of their appointment are detailed in a letter sent to them when they join the Board. These letters are available for inspection at the registered office of the Company and will be available at the Annual General Meeting.

Governance

Directors' report

The Directors present the Annual Report and Financial Statements of the Company for the year ended 28 February 2015.

STATUS OF THE COMPANY

The Company was incorporated in Scotland on 2 May 1906 under the registered number 006176 and is domiciled in the United Kingdom. The Company is registered as a public limited company under the Companies Act 2006 and is an investment company under section 833 of the Companies Act 2006 and operates as such.

The Company has been approved as an investment company under regulation 5 of the Investment Trust (Approved Company) (Tax) Regulations 2011. Ongoing approval is subject to the Company continuing to meet the eligibility conditions. In the opinion of the Directors, the Company has conducted its affairs during the year under review, and subsequently, so as to satisfy the conditions for continued approval.

As an investment company that is managed and marketed in the United Kingdom, the Company is an Alternative Investment Fund (AIF) falling within the scope of, and subject to the requirements of the Alternative Investment Fund Managers' Directive (AIFMD). The Company is governed by the provisions of the European Union (Alternative Investment Fund Managers' Regulations 2013) (the Regulations) and is required to be authorised by the Financial Conduct Authority (FCA) and must comply with a number of new obligations, including the appointment of an Alternative Investment Fund Manager (AIFM) and a depositary to carry out certain functions. The Company must also comply with the Regulations in respect of leverage, outsourcing, conflicts of interest, risk management, valuation, remuneration and capital requirements and must also make additional disclosures to both shareholders and the FCA. Further details are set out in the AIFM Disclosures on page 58 and in the notes to the financial statements on pages 42 to 57.

The Company's shares are eligible for inclusion in the stocks and shares component of a New Individual Savings Account ("NISA").

FACILITATING RETAIL INVESTMENT

The Company currently conducts its affairs so that the shares issued by the Company can be recommended by independent financial advisers to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future.

In the context of the implementation of RDR and the growing popularity of investment trusts on platforms, it is worth noting that the Company's shares are designed for private investors in the UK including retail investors and professionally-advised private clients. It is also attractive to institutional investors who seek long term capital growth and an attractive total return from quoted securities through investing in smaller UK quoted companies and who understand and are willing to accept the risks of exposure to equities. When assessing the suitability of the shares, private investors should also consider consulting an independent financial adviser who specialises in advising on the acquisition of shares and other securities before acquiring shares. Naturally, investors should also be capable of evaluating the risks and merits of an investment in the Company and should always have sufficient resources to bear any loss that may result.

DIVIDENDS

Details of the dividends paid and payable in respect of the year are set out in the Chairman's Statement on page 5.

FUTURE PROSPECTS

Commentary on future prospects for the Company is set out in both the Chairman's Statement on pages 5 and 6 and the Investment Manager's Report on page 11.

INVESTMENT MANAGEMENT AND ADMINISTRATION

BlackRock Fund Managers Limited (BFM) was appointed as the Company's AIFM with effect from 2 July 2014, having been authorised as an AIFM by the FCA on 1 May 2014. The management contract is terminable by either party on six months' notice.

Under the new agreement the Board continues to be independent from the AIFM . The new agreement provides the appropriate balance between the Board's control over the Company, its investment policies and compliance with regulatory obligations. BFM has (with the Company's consent) delegated certain portfolio and risk management services, and other ancillary services, to BlackRock Investment Management (UK) Limited ("BIM (UK)"). BIM (UK) also acted as the Secretary of the Company throughout the year. BFM receives an annual fee of 0.65% in respect of the first £50 million of the Company's total assets less current liabilities, reducing to 0.5% thereafter. This fee was payable to BIM (UK) up to and including 1 July 2014.

A performance fee is payable at the rate of 10% of the annualised excess performance relative to the benchmark in the two previous financial years, applied to the average of the total assets less current liabilities of the Company. The fee is payable annually in April and is capped at 0.25% of the average of the total assets less current liabilities. Further details are disclosed in note 4 on page 45 and note 19 on page 57.

No penalty on termination of the investment management contract would be payable by the Company in the event that six months' written notice is given to the Manager. There are no provisions relating to payment of fees in lieu of notice.

The Company contributes to a focused investment trust sales and marketing initiative operated by BlackRock on behalf of the investment trusts under its management, which commenced on 1 November 2013. The Company's contribution to the consortium element of the initiative, which enables the trusts to achieve efficiencies by combining certain sales and marketing activities, represented 0.03% per annum of its net assets (£416 million) as at 31 October 2013 and this contribution is matched by BIM (UK). In addition, a budget of up to a further 0.04% per annum of 31 October 2013 net assets has been allocated for Company specific sales and marketing activity. For the year ended 28 February 2015, £186,000 (including VAT) has been accrued in respect of these initiatives. The purpose of the programme overall is to ensure effective communication with existing shareholders and to attract new shareholders to the Company. This has the benefit of improving liquidity in the Company's shares and helps sustain the stock market rating of the Company.

BFM and BIM (UK) are subsidiaries of BlackRock, Inc. which is a publicly traded corporation on the New York Stock Exchange operating as an independent firm. The PNC Financial Services Group, Inc. has a significant economic interest in BlackRock, Inc. PNC Financial Services Group, Inc. is a US public company.

APPOINTMENT OF THE MANAGER

The Board considers the arrangements for the provision of investment management services to the Company on an ongoing basis and a formal review is conducted annually. The Board believes that the continuing appointment of BFM as AIFM, with investment management services delegated to BIM (UK), on the terms as previously disclosed, is in the interests of shareholders as a whole.

As part of the annual review the Board considered the quality and continuity of the personnel assigned to handle the Company's affairs, the investment process and the results achieved to date. In the Board's view, the investment remit is best served by the BlackRock UK Smaller Companies Team, as manager of some of the best performing UK equity funds specialising in small and mid cap investments.

DEPOSITARY AND CUSTODIAN

The Company is required under AIFMD to appoint an AIFMD compliant depositary. The Company appointed BNY Mellon Trust & Depositary (UK) Limited (the Depositary) in this role with effect from 2 July 2014. Its duties and responsibilities are outlined in the investment fund legislation (as defined in the FCA AIF Rulebook). The main role of the Depositary under AIFMD is to act as a central custodian with additional duties to monitor the operations of the Company, including monitoring cash flows and ensuring that the Company's assets are valued appropriately in accordance with the relevant regulations and guidance. The Depositary is also responsible for enquiring into the conduct of the AIFM in each annual accounting period. The Depositary receives a fee payable at 0.015% of the net assets of the Company per annum. The Company has appointed the Depositary in a tripartite agreement, to which BFM as AIFM is also a signatory, The Depositary is also liable for the loss of financial instruments held in custody. The depositary agreement is subject to 90 days' notice of termination by any party.

Under the depositary agreement, custody services in respect of the Company's assets have been delegated to the Bank of New York Mellon (International) Limited. BNYM receives a custody fee payable by the Company at rates depending on the number of trades effected and the location of securities held.

REGISTRAR

The Company has appointed Computershare as its Registrar. The principal duty of the registrar is the maintenance of the register of shareholders (including registering transfers). It also provides services in relation to corporate actions (including tender offers and the exercise of subscription shares), dividend administration and shareholder documentation.

Computershare receives a fixed fee of £16,030 plus disbursements and VAT per annum. The fixed fee will apply for the three years commencing on 1 July 2014. Fees in respect of corporate actions are negotiated on an arising basis.

CHANGE OF CONTROL

There are no agreements which the Company is party to that might be affected by a change of control of the Company.

EXERCISE OF VOTING RIGHTS IN INVESTEE COMPANIES

The exercise of voting rights attached to the Company's portfolio has been delegated to the Investment Manager, whose voting policy is set out below.

BlackRock's approach to voting at shareholder meetings, engagement with companies and corporate governance is framed within an investment context. BlackRock believes that sound corporate governance practices by companies contribute to their long term financial performance and thus to better risk-adjusted returns. BlackRock's proxy voting process is led by our Corporate Governance and Responsible Investment team, located in five offices around the world. In addition to its own professional staff, the Corporate Governance and Responsible Investment team draws upon the expertise of BlackRock's portfolio managers, researchers and other internal and external resources globally.

BlackRock's global corporate governance and engagement principles are published on the website blackrock.com/corporate/en-gb/about-us/responsible-investment/engagement-and-proxy-voting. The principles set out BlackRock's views on the overarching features of corporate governance that apply in all markets. For each region, BlackRock also publishes market-specific policies, which are updated every year to ensure they remain relevant.

The voting guidelines are principles-based and not prescriptive because BlackRock believes that each voting situation needs to be assessed on its merits. Voting decisions are taken to support the outcome that BlackRock believes its professional judgment will best protect the economic interests of its clients.

During the year under review, the Investment Manager voted on 2,333 proposals at 202 general meetings on behalf of the Company. At these meetings the Investment Manager voted in favour of most resolutions, as should be expected when investing in well run companies, but voted against 24 management resolutions and abstained from voting on 14 resolutions. Most of the votes against were in respect of resolutions to approve a poorly structured remuneration package or on capital raising requests which would have significantly diluted existing shareholders.

PRINCIPAL RISKS

The key risks faced by the Company are set out in the Strategic Report on pages 8 and 9.

GOING CONCERN

The Directors, having considered the nature and liquidity of the portfolio, the Company's investment objective and the Company's projected income and expenditure, are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future and is financially sound. For this reason, they continue to adopt the going concern basis in preparing the financial statements. The Company is able to meet all of its liabilities from its assets and income generated from these assets and the ongoing expenses (excluding performance fees, finance costs and taxation) are approximately 0.7% of net assets. Ongoing expenses with performance fees included were 1.0% of net assets for the year end 28 February 2015, and as the performance fee is capped at 0.25% of total assets less current liabilities, ongoing charges calculated on this basis are not likely to significantly exceed this going forward.

DIRECTORS

The Directors of the Company as at 28 February 2015 and their biographies are set out on page 18. Details of Directors' interests in the ordinary shares of the Company are set out in the Directors' Remuneration Report on page 27. All of the Directors held office throughout the year under review.

The Company's Articles of Association provide that one third of Directors retire by rotation each year and that each Director shall retire and offer himself/herself for re-election at intervals of no more than three years.

At the Annual General Meeting to be held on 18 June 2015, in accordance with the Company's Articles of Association Mrs Burton will retire by rotation and offer herself for re-election.

Any Director who is not considered by the Board to be independent of the Investment Manager or who has served on the Board for more than nine years will be subject to annual re-election. Accordingly, Mr Fry and Mrs Nott, who have both served on the Board for more than nine years, will also retire at the forthcoming Annual General Meeting and seek re-election. The Board is of the view that length of service will not necessarily compromise the independence or contribution of directors of an investment trust company, where continuity and experience can add significantly to the strength of the Board. After due consideration and further to the annual evaluation process, the Board has concluded that Mr Fry and Mrs Nott, who have each served as a Director for over nine years, continue to be independent in both character and judgement and that there are no relationships or circumstances which are likely to affect the judgement of any Director. The Board has considered the position of the Directors, as part of the evaluation process, and believes that it would be in the Company's best interests for them to be proposed for re-election, given their material level of contribution.

Following the formal evaluation the Chairman is pleased to confirm that each of the Directors continues to be effective and to demonstrate commitment to the role (including time for Board and Committee meetings and any other duties).

Mrs Nott, as Senior Independent Director, is pleased to confirm that, following the formal evaluation, the Chairman also continues to be effective and to demonstrate commitment to the role (including time for Board and Committee meetings and any other duties).

None of the Directors has a service contract with the Company. There were no contracts subsisting during or at the end of the year in which a Director of the Company is or was materially interested and which is or was significant in relation to the Company's business. None of the Directors is entitled to compensation for loss of office on the takeover of the Company.

DIRECTORS' INDEMNITY

In addition to Directors' and Officers' liability insurance cover, the Company's Articles of Association provide, subject to the provisions of applicable UK legislation, an indemnity for Directors in respect of costs incurred in the defence of any proceedings brought against them by third parties arising out of their positions as Directors, in which they are acquitted or judgement is given in their favour. The Company has entered into Deeds of Indemnity with Directors individually which are available for inspection at the registered office of the Company and will be available at the Annual General Meeting.

CONFLICTS OF INTEREST

The Board has put in place a framework for Directors to report conflicts of interest or potential conflicts of interest which it believes has worked effectively during the year. All Directors notified the Company Secretary of any situations where they considered that they had a direct or indirect interest, or duty that conflicted or possibly conflicted, with the interests of the Company. All such situations were reviewed by the Board and duly authorised. Directors were also made aware that there remains a continuing obligation to notify the Company Secretary of any new situation that may arise, or any change to a situation previously notified. It is the Board's intention to continue to review all notified situations on an annual basis.

GLOBAL GREENHOUSE GAS EMISSIONS FOR THE PERIOD 1 MARCH 2014 TO 28 FEBRUARY 2015

The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Directors' report continued

ARTICLES OF ASSOCIATION

Any amendments to the Company's Articles of Association must be made by special resolution.

REMUNERATION REPORT

The Directors' Remuneration Report is set out on pages 24 to 27. An ordinary resolution to approve this report will be put to shareholders at the forthcoming Annual General Meeting.

NOTIFIABLE INTEREST IN THE COMPANY'S VOTING RIGHTS

As at 28 February 2015, the following investors had declared a notifiable interest in the Company's voting rights:

	Holding	%
BlackRock, Inc.*	6,458,781	13.5
Investec Wealth & Management Ltd	2,536,981	5.3
Aberdeen Asset Managers Limited	2,514,327	5.3
Rathbone Bros	2,395,491	5.0
Derbyshire County Council (ABN AMRO Mellon Global Securities BV)	2,385,000	5.0
East Riding of Yorkshire Council	2,377,000	5.0
Royal London Asset Management Limited	2,027,574	4.2

* Including 2,445,795 shares held by BlackRock Institutional Funds (The Dynamic Diversified Growth Fund) representing 5.1% of the Company's issued share capital. The remainder of BlackRock Inc.'s holding represents shareholdings of investment vehicles managed by members of the BlackRock Group and discretionary managed money, none of which exceed 3% of the Company's issued share capital on an individual fund basis.

The Board is also aware that 0.8% of the Company's share capital is held through the BlackRock Investment Trusts Savings Plan and NISA.

As at 17 April 2015, the following investors had declared a notifiable interest in the Company's voting rights:

	Holding	%
BlackRock, Inc.	6,458,781	13.5
Investec Wealth & Management Ltd	2,536,981	5.3
Aberdeen Asset Managers Limited	2,514,327	5.3
Rathbone Bros	2,395,491	5.0
Derbyshire County Council (ABN AMRO Mellon Global Securities BV)	2,385,000	5.0
East Riding of Yorkshire Council	2,377,000	5.0
Royal London Asset Management Limited	2,027,574	4.2

* Including 2,445,795 shares held by BlackRock Institutional Funds (The Dynamic Diversified Growth Fund) representing 5.1% of the Company's issued share capital. The remainder of BlackRock Inc.'s holding represents shareholdings of investment vehicles managed by members of the BlackRock Group and discretionary managed money, none of which exceed 3% of the Company's issued share capital on an individual fund basis.

As at 17 April 2015, 0.8% of the Company's share capital is held through the BlackRock Investment Trusts Savings Plan and NISA.

SHARE CAPITAL

Full details of the Company's share capital are given in note 15 on page 50. Details of the voting rights in the Company's shares as at the date of this report are given in note 17 to the Notice of Annual General Meeting on page 70. There are no restrictions on the voting rights of the shares or on the transfer of shares, and there are no shares that carry specific rights with regard to the control of the Company. At 28 February 2015, the Company's issued share capital was 47,879,792 ordinary shares, excluding 2,113,731 shares held in treasury.

SHARES ISSUES AND REPURCHASES

The Company has the authority to purchase ordinary shares in the market to be held in treasury or for cancellation and to issue new ordinary shares for cash. No shares were purchased or issued under either authority during the year.

The current authority to repurchase ordinary shares was granted to Directors on 10 June 2014 and expires at the conclusion of the Annual General Meeting in 2015. The Directors are proposing that their authority to buy back shares to be held in treasury, or for cancellation, and to issue new ordinary shares or sell shares from treasury, be renewed at the forthcoming Annual General Meeting.

TREASURY SHARES

The Board has determined that up to 10% of the Company's issued shares may be held in treasury and may be subsequently cancelled or sold for cash in the market. This would give the Company the ability to reissue shares quickly and cost effectively, thereby improving liquidity and providing the Company with additional flexibility in the management of its capital base.

The Board currently intends only to authorise the sale of shares from treasury at or above the prevailing net asset value per share (plus costs of the relevant sale). This should result in a positive overall effect on shareholders if shares are bought back at a discount and then sold at a price at or above the net asset value per share (less costs of the relevant sale). Any shares in treasury will be held indefinitely.

In the interests of all shareholders, the Board will continue to keep the matter of treasury shares under review.

ANNUAL GENERAL MEETING

The following information to be discussed at the forthcoming Annual General Meeting is important and requires your immediate attention. If you are in any doubt about the action you should take, you should seek advice from your stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services and Markets Act 2000 (as amended).

If you have sold or transferred all of your ordinary shares in the Company, you should pass this document, together with any other accompanying documents, including the form of

proxy, at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

Resolutions relating to the following items of special business will be proposed at the forthcoming Annual General Meeting.

Resolution 9 Authority to allot shares

The Directors may only allot shares for cash if authorised to do so by shareholders in general meeting. This resolution seeks authority for the Directors to allot shares for cash up to an aggregate nominal amount of £1,196,994 which is equivalent to 4,787,976 ordinary shares of 25p each and represents 10% of the current issued share capital excluding treasury shares. The Directors will use this authority when it is in the best interests of the Company to issue shares for cash. This authority will expire at the conclusion of next year's Annual General Meeting in 2016, unless renewed prior to that date at an earlier general meeting.

Resolution 10 Authority to disapply pre-emption rights

By law, directors require specific authority from shareholders before allotting new shares or selling shares out of treasury for cash without first offering them to existing shareholders in proportion to their holdings.

Resolution 10 empowers the Directors to allot new shares for cash or to sell shares which are held by the Company in treasury, otherwise than to existing shareholders on a pro rata basis, up to an aggregate nominal amount of £1,196,994 which is equivalent to 4,787,976 ordinary shares of 25p each and 10% of the Company's issued ordinary share capital excluding treasury shares. Unless renewed at a general meeting prior to such time, this authority will expire at the conclusion of the Annual General Meeting of the Company to be held in 2016.

Resolution 11 Authority to buy back shares

The resolution to be proposed will seek to renew the authority granted to Directors enabling the Company to purchase its own shares. The Directors will only consider repurchasing shares in the market if they believe it to be in shareholders' interests and as a means of correcting any imbalance between supply and demand for the Company's shares.

Under the Listing Rules of the FCA, the maximum price which can be paid is the higher of (i) 5% above the average market value of the ordinary shares for the five business days immediately preceding the date on which the purchase is made and (ii) the higher of the price quoted for (a) the last independent trade of, and (b) the highest current independent bid for, any number of ordinary shares on the trading venue where the purchase is carried out. In making purchases, the Company will deal only with member firms of the London Stock Exchange. The Directors are seeking authority to purchase up to 7,177,180 ordinary shares (being 14.99% of the issued share capital excluding treasury shares). This authority, unless renewed at an earlier general meeting, will expire at the conclusion of next year's Annual General Meeting in 2016.

RECOMMENDATION

The Board considers that each of the resolutions is likely to promote the success of the Company and is in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that you vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings.

CORPORATE GOVERNANCE

Full details are given in the Corporate Governance Statement on pages 28 to 31. The Corporate Governance Statement forms part of this Directors' Report.

AUDIT INFORMATION

As required by section 418 of the Companies Act 2006 the Directors who held office at the date of this report each confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

INDEPENDENT AUDITOR

The auditor, Scott-Moncrieff, has indicated their willingness to continue in office and resolutions proposing their reappointment and authorising the Audit Committee to determine their remuneration for the ensuing year will be submitted at the Annual General Meeting.

The Directors' Report was approved by the Board at its meeting on 27 April 2015.

BY ORDER OF THE BOARD

BLACKROCK INVESTMENT MANAGEMENT (UK) LIMITED
Company Secretary
27 April 2015

Directors' remuneration report

INTRODUCTION

The Board presents the Directors' Remuneration Report for the year ended 28 February 2015 which has been prepared in accordance with the requirements of sections 420-422 of the Companies Act 2006.

The Remuneration Report comprises a remuneration policy report, which is subject to a triennial binding shareholder vote, and a remuneration policy implementation report, which is subject to an annual advisory vote. The remuneration policy is set out in the policy table on page 25 and was approved by shareholders at the Company's Annual General Meeting on 10 June 2014.

The law requires the Company's independent auditor to audit certain parts of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in their report on pages 36 and 37.

REMUNERATION COMMITTEE

The Board as a whole fulfils the function of the Remuneration Committee and considers any change in the Directors' remuneration policy. The Board is of the opinion that a Remuneration Committee is not appropriate for a Company of this size and nature and a separate Committee has therefore not been established. No advice or services were provided by any external agencies or third parties.

STATEMENT BY THE CHAIRMAN

The Board's policy on remuneration is set out in the policy table on page 25. A key element is that fees payable to Directors should be sufficient to attract and retain individuals with suitable knowledge and experience, and that consideration is given to the value and amount of time committed.

The Board's focus is on setting the strategy for the successful progression of the Company and monitoring performance against the strategic objectives set. In order to do this effectively, Directors spend a substantial amount of time preparing for the five Board meetings and three Audit Committee meetings held each year. At these meetings, the Directors review the Company's portfolio and the valuation of the Company's AIM listed investments, monitor investment performance and review compliance with investment guidelines. The Board also reviews and monitors the Company's ongoing operating costs to ensure that these represent optimal value and are in line with agreed budgets. In addition, the Board sets the marketing strategy of the Company and contributes to a sales and marketing initiative operated by BlackRock; the Board has set key performance indicators to monitor progress and reviews these on a regular basis to monitor and assess the effectiveness of this initiative. The Chairman makes himself available to meet directly with shareholders when required and the Board monitors the Company's share rating closely and is responsible for determining the appropriate action to be taken to manage this where necessary. Directors are also responsible for establishing and maintaining the Company's control systems to manage risk effectively, and a register of these controls and the risks facing the Company are reviewed at each Audit Committee meeting, along with control reports from external auditors and BlackRock's internal audit department.

As well as this usual business, Directors also spend additional time as and when required in ad hoc meetings to address other issues as they arise. Investment trusts are subject to a large number of regulatory and disclosure requirements, including the requirements of the Model Code, UKLA Listing Rules, and Investment Trust Company tax regulations. The regulatory burden has increased significantly in recent years, with the implementation of AIFMD and FATCA requiring considerable additional time to be spent by the Board over the last two years to ensure that new Depositary and Management agreements complied with best industry practice. There are yet more new regulatory obligations that will become applicable to the Company over the next few years, including the Common Reporting Standard, all of which is expected to generate an increased workload for Directors, and your Board will continue to be mindful of this in setting remuneration levels.

For the year ended 28 February 2015, the Chairman received an annual fee of £36,000, the Audit Committee Chairman received £27,000 per annum and the other Directors received £24,000 per annum. Following a review on 18 March 2015 and with effect from 1 March 2015, the Chairman will receive an annual fee of £37,500, the Audit Committee Chairman receives £28,000 per annum and each Director will receive £25,000 per annum. Additional information regarding the basis for determining Directors' remuneration is set out in the policy report below.

POLICY REPORT

In determining Directors' fees, a number of factors are considered, including the time commitment required, the level of skills and appropriate experience required, and the need for Directors to maintain on an ongoing basis an appropriate level of knowledge of regulatory and compliance requirements in an industry environment of increasing complexity. The Board also considers the average rate of inflation during the period since the last fee increase, and reviews the level of remuneration in comparison with other investment trusts of a similar size and/or mandate as well as taking account of any data published by the Association of Investment Companies to ensure that fees are in line with industry practice. This comparison, together with consideration of any alteration in non-executive Directors' responsibilities, is used to review whether any change in remuneration is necessary. The review is performed on an annual basis.

The Company has no employees and consequently no consideration is required to be given to employment conditions elsewhere in setting Directors' fees.

No element of the Directors' remuneration is performance related. The Company has not awarded any share options or long term performance incentives to any of the Directors. None of the Directors has a service contract with the Company or receives any non cash benefits or pension entitlements. The terms of their appointment are detailed in a letter sent to them when they join the Board. These letters are available for inspection at BlackRock's offices at 12 Throgmorton Avenue, London EC2N 2DL.

CONSIDERATION OF SHAREHOLDERS' VIEWS

An ordinary resolution to approve the remuneration report is put to members at each Annual General Meeting, and shareholders have the opportunity to express their views and raise any queries in respect of remuneration policy at this meeting. To date, no shareholders have commented in respect of the remuneration policy. In accordance with the Companies Act 2006, the Company obtained shareholder approval for its remuneration policy at the Annual General Meeting in 2014. The remuneration policy is subject to a triennial binding shareholder vote and will next be reviewed at the Annual General Meeting in 2017.

At the Company's AGM held on 10 June 2014, 99.66% of votes cast were in favour of the resolution to approve the Directors' Remuneration Report in respect of the year ended 31 January 2014 and 0.34% votes cast against. In addition, 99.64% of the votes cast were in favour of the resolution to approve the Directors' remuneration policy and 0.36% of votes were cast against.

POLICY TABLE

<table>
<tr><td colspan="2">Purpose and link to strategy</td><td>Fees payable to Directors should be sufficient to attract and retain individuals of high calibre with suitable knowledge and experience. Those chairing the Board and key Committees should be paid higher fees than other Directors in recognition of their more demanding roles. Fees should reflect the time spent by Directors on the Company's affairs and the level of complexity of responsibilities borne by the Directors.</td></tr>
<tr><td colspan="2">Description</td><td>Current levels of fixed annual fee:
Chairman – £37,500
Audit Committee Chairman – £28,000
Directors – £25,000
All reasonable expenses to be reimbursed.</td></tr>
<tr><td colspan="2">Maximum levels</td><td>Remuneration consists of a fixed fee each year, set in accordance with the stated policies and as such there is no set maximum threshold; however, any increase granted must be in line with the stated policies.
The Company's Articles of Association set a limit of £200,000 per annum in respect of the total fees that may be paid to Directors in any financial year. In addition, the Directors propose a limit of £50,000 per annum in relation to the maximum that may be paid in respect of taxable benefits. These ceilings have been set at a level to provide flexibility in respect of the recruitment of additional Board members and inflation.</td></tr>
<tr><td rowspan="2">Operation</td><td>Fixed fee element</td><td>The Board reviews the quantum of Directors' fees each year to ensure that this is appropriate in view of the time commitment required, the level of skills and appropriate experience required, and the need for Directors to maintain on an ongoing basis an appropriate level of knowledge of regulatory and compliance requirements in an industry environment of increasing complexity. The average rate of inflation during the period since the last fee increase will also be considered as well as the level of remuneration in comparison with other investment trusts of a similar size and/or mandate. This comparison, together with consideration of any alteration in non-executive level of Directors' remuneration for other investment trusts of a similar size. There is no compensation for loss of office.</td></tr>
<tr><td>Taxable benefits</td><td>Taxable benefits comprise travel and subsistence expenses incurred by the Directors in the course of travel to attend Board and Committee meetings which are held at BlackRock's offices in London, and which are reimbursed by the Company and therefore treated as a benefit in kind and are subject to tax and national insurance. The Company's policy in respect of this element of remuneration is that all reasonable costs of this nature will be reimbursed as they are incurred.</td></tr>
</table>

Directors' remuneration report continued

REMUNERATION IMPLEMENTATION REPORT

A single figure for the total remuneration of each Director is set out in the table below for the years ended 28 February 2015 and 28 February 2014:

	2015 Fees £	2014 Fees £	2015 Taxable benefits[3] £	2014 Taxable benefits[3] £	2015 Total £	2014 Total £
Nicholas Fry (Chairman)	36,000	32,250	680	1,521	36,680	33,771
Caroline Burton	24,000	21,500	–	–	24,000	21,500
Gillian Nott[1]	24,000	21,500	75	–	24,075	21,500
Michael Peacock[2]	27,000	24,750	3,152	2,034	30,152	26,784
Robert Robertson	24,000	21,500	–	637	24,000	22,137
Total	135,000	121,500	3,907	4,192	138,907	125,692

1. Senior Independent Director.
2. Audit Committee Chairman.
3. Taxable benefits relate to travel and subsistence costs.

The information in the above table has been audited. The amounts paid by the Company to the Directors were for services as non-executive Directors.

As at 28 February 2015, there were no amounts outstanding to Directors in respect of their annual fees (28 February 2014: nil).

As the Company has no employees, the table above also comprises the total remuneration costs and benefits paid by the Company. To enable shareholders to assess the relative importance of spend on pay, this has been shown in the table below compared with the Company's, dividend distributions, total revenue and any share buy backs.

RELATIVE IMPORTANCE OF SPEND ON DIRECTORS' REMUNERATION

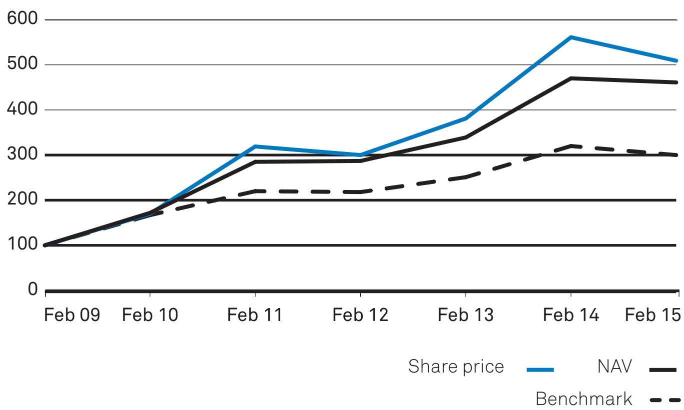
	2015 £'000	2014 £'000	Change £'000
Directors' total remuneration	139	126	+13
Dividends paid and payable	6,942	5,745	+1,197
Total revenue	9,741	8,460	+1,281

No payments were made in the period to any past Directors (2014: nil).

PERFORMANCE

The line graph which follows compares the Company's net asset value (with income reinvested) and share price total return with the total return on an equivalent investment in the Numis Smaller Companies plus AIM (excluding Investment Companies) Index. This composite index was selected for comparison purposes, as it was the Company's benchmark used for investment performance measurement purposes.

TOTAL SHAREHOLDER RETURN FROM 1 MARCH 2009 TO 28 FEBRUARY 2015



Sources: BlackRock and Datastream.

SHAREHOLDING

The Board has not adopted a policy that Directors are required to own shares in the Company.

The interests of the Directors in the ordinary shares of the Company are set out in the tables below. The Company does not have a share option scheme therefore none of the Directors has an interest in share options. All of the Directors held office throughout the year under review.

	Ordinary shares	
	28 February 2015	28 February 2014
Caroline Burton	4,500	3,000
Nicholas Fry	40,000	40,000
Gillian Nott	11,500	11,500
Michael Peacock	1,000	1,000
Robert Robertson	80,062	80,062

All of the holdings of the Directors are beneficial. No changes to these holdings had been notified up to the date of this report.

The information in the above tables has been audited.

RETIREMENT OF DIRECTORS

All of the Company's Directors are subject to retirement by rotation in accordance with the Company's Articles of Association. Directors are appointed for an initial term covering the period from the date of their appointment until the first AGM thereafter, at which time they are required to stand for election in accordance with the Articles of Association. Subsequently, Directors retire by rotation at least every three years. Any Director who is not considered to be independent of the Investment Manager or who has served on the Board for more than nine years will be subject to annual re-election.

FOR AND ON BEHALF OF THE BOARD

NICHOLAS FRY
Chairman
27 April 2015

Governance

Corporate governance statement

CHAIRMAN'S INTRODUCTION

Corporate Governance is the process by which the Board seeks to look after shareholders' interests and protect and enhance shareholder value. Shareholders hold the Directors responsible for the stewardship of the Company, delegating authority and responsibility to the Directors to manage the Company on their behalf and holding them accountable for its performance.

The Board is ultimately responsible for framing and executing the Company's strategy and for closely monitoring risks. We aim to run our Company in a manner which is responsible and consistent with our belief in honesty, transparency and accountability. In our view, good governance means managing our business well and engaging effectively with investors. We consider the practice of good governance to be an integral part of the way we manage the Company and we are committed to maintaining high standards of financial reporting, transparency and business integrity.

As a UK-listed investment trust company our principal reporting obligation is driven by the UK Corporate Governance Code (the UK Code) issued by the Financial Reporting Council (FRC) in September 2012. However, as listed investment trust companies differ in many ways from other listed companies, the Association of Investment Companies has drawn up its own set of guidelines, the AIC Code of Corporate Governance (the AIC Code) issued in February 2013, which addresses the governance issues relevant to investment companies and has been approved by the Financial Reporting Council.

The UK Code is available from the Financial Reporting Council's website at frc.org.uk. The AIC Code is available from the Association of Investment Companies at theaic.co.uk.

This report, which forms part of the Directors' Report, explains how the Board deals with its responsibility in respect of Corporate Governance.

COMPLIANCE

The Board confirms that it has complied with the provisions set out in the UK Code and AIC Code throughout the period under review and continues to comply. It should be noted that as an investment trust, most of the Company's day-to-day responsibilities are delegated to third parties, the Company has no employees and the Directors are non-executive. Thus, not all of the provisions of the UK Code are directly applicable to the Company.

The Company and the Board comply with the Companies Act 2006 and the UKLA Listing Rules.

THE BOARD

The Board's primary purpose is to direct the Company to maximise shareholder value within a framework of proper controls and in accordance with the Company's investment objective. BIM (UK) was appointed as investment manager of the Company on 10 December 2004, and further to the implementation of AIFMD and the appointment of BFM as the Company's AIFM ("the Manager") on 2 July 2014, BIM (UK) ("the Investment Manager") continues to provide investment management and other ancillary services under delegation from the AIFM. The relevant management contracts are terminable by either party on six months' notice.

BOARD STRUCTURE AND MANAGEMENT

Details of the Board's structure, roles and responsibilities and management are set out in the summary of governance structure and Directors' biographies on pages 17 and 18.

The Company does not have a chief executive as day-to-day management of the Company's affairs is delegated to BFM as AIFM, with investment management and other ancillary services delegated to BIM (UK). Representatives of the Manager and the Company Secretary attend each Board meeting. The Board, the AIFM, BIM (UK) as investment manager and the Company Secretary operate in a supportive and co-operative manner.

Board independence and tenure

The Board's individual independence, including that of the Chairman, has been considered, and this independence allows all of the Directors to sit on the Company's various Committees. The Board is of the view that length of service does not necessarily compromise the independence or contribution of Directors of an investment trust company, where continuity and experience can add significantly to the strength of the Board.

Directors' appointment, retirement and succession

The rules concerning the appointment, retirement and rotation of Directors are set out in the Directors' Report on page 21.

The Board believes that it has a reasonable balance of skills and experience. The Board recognises the value of progressive refreshing of, and succession planning for, company boards. None of the Directors considers length of service as an impediment to independence or good judgement but believes that continuity and experience can add significantly to the strength of the Board.

The Chairman of the Company acts as Chairman of the Management Engagement Committee and the Nomination Committee, except when the Nomination Committee is considering his successor. The Terms of Reference of all the Board's committees are available from the Company Secretary's office and the Company's website at blackrock.co.uk/brsc.

The Board has established a procedure whereby Directors, wishing to do so in the furtherance of their duties, may take independent professional advice at the Company's expense.

Directors' induction, training and development

When a new Director is appointed to the Board, he or she is provided with all relevant information regarding the Company and their duties and responsibilities as a Director. In addition, a new Director will also spend some time with representatives of the Investment Manager whereby he or she will become familiar with the various processes which the Investment Manager considers necessary for the performance of its duties and responsibilities to the Company.

The Company's policy is to encourage Directors to keep up to date and attend training courses on matters which are directly relevant to their involvement with the Company. The Directors also receive regular briefings from, amongst others, the auditor and the Company Secretary regarding any proposed developments or changes in laws or regulations that could affect the Company and/or the Directors. Directors' training and development needs are reviewed by the Chairman on an annual basis.

Directors' liability insurance

During the year, the Company has maintained appropriate Directors' Liability Insurance cover throughout the year.

BOARD'S RESPONSIBILITIES

The Board is responsible to shareholders for the overall management of the Company. It decides upon matters relating to the Company's investment objective, policy and strategy and monitors the Company's performance towards achieving that objective through its agreed policy and strategy. The Board has also adopted a schedule of matters reserved for its decision.

The Board is supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties. Strategic issues and all operational matters of a material nature are determined by the Board.

The Board has responsibility for ensuring that the Company keeps adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable it to ensure that the financial statements comply with the Companies Act 2006. It is the Board's responsibility to present a balanced and understandable assessment, which extends to interim and other price-sensitive public reports.

The Board is also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

MEETINGS AND PERFORMANCE APPRAISAL

The Board meets at least five times each year to review investment performance, financial reports and other reports of a strategic nature. Board or Board committee meetings are also held on an ad hoc basis to consider particular issues as they arise. The attendance record for each meeting is set out on page 18.

Key representatives of the Investment Manager attend each meeting. Details of the Directors' other significant time commitments can also be found on page 18.

PERFORMANCE EVALUATION

In order to review the effectiveness of the Board, the Committees and the individual Directors, the Board carries out an annual appraisal process. This encompasses both quantitative and qualitative measures of performance in respect of the Board and its Committees, implemented by way of the completion of an evaluation survey and a subsequent review of the findings. The appraisal of the Chairman follows the same process and is carried out by the Board as a whole under the leadership of the Senior Independent Director without the Chairman present.

The appraisal process is considered by the Board to be constructive in terms of identifying areas for improving the functioning and performance of the Board and its Committees and the contribution of individual Directors, as well as building on and developing individual and collective strengths. There were no significant actions arising from the evaluation process.

Following the formal evaluation the Chairman is pleased to confirm that each of the Directors continues to be effective and to demonstrate commitment to the role (including time for Board and Committee meetings and any other duties).

Mrs Nott, as Senior Independent Director, is pleased to confirm that, following the formal evaluation, the Chairman also continues to be effective and to demonstrate commitment to the role (including time for Board and Committee meetings and any other duties).

DELEGATION OF RESPONSIBILITIES

Management and Administration

The management of the investment portfolio and the administration of the Company have been delegated to BFM as the Company's AIFM, and BFM (with permission of the Company) has delegated certain investment management and other ancillary services to BIM (UK) (the Investment Manager).

The contractual arrangements with the Manager are set out on pages 19 and 20 and summarised in notes 4 and 19. The Manager, operating under guidelines determined by the Board, has direct responsibility for the decisions relating to the day-to-day running of the Company and is accountable to the Board for the investment, financial and operating performance of the Company. The Investment Manager may only invest in unquoted securities with the prior approval of the Board.

The Board has delegated the exercise of voting rights attaching to the securities held in the portfolio to the Manager.

Details of the Manager's approach to voting at shareholder meetings are set out on pages 20 and 21.

The review of the Manager's performance is an ongoing duty and responsibility of the Board which is carried out at every Board meeting. In addition, a formal review is undertaken annually, details of which are set out in the Directors' Report on page 20.

Governance

Corporate governance statement continued

The Company Secretary

The Board has direct access to company secretarial advice and services of the Manager which, through its nominated representative, is responsible for ensuring that Board and Committee procedures are followed, and that applicable regulations are complied with. The appointment and removal of the Company Secretary is a matter for the whole Board.

Committees of the Board

The Board has appointed a number of Committees as set out below.

Nomination Committee

Details of the Committee's membership and responsibilities are set out on page 17, along with details of the number of scheduled meetings each year and Directors' attendance at each meeting.

Appointments of new Directors will be made on a formalised basis, with the Committee agreeing the selection criteria and the method of selection, recruitment and appointment. The services of an external search consultant may be used to identify potential candidates.

The Board's policy on diversity, including gender, is to take this factor into account during the recruitment process. However, the Board is committed to appointing the most appropriate candidates, regardless of gender or other forms of diversity. Therefore, no target has been set against which to report.

Audit Committee

Details of the Committee's membership and responsibilities are set out on page 17. Further details are provided in the Report of the Audit Committee on pages 32 to 34.

Remuneration Committee

Under the UK Listing Rules, where an investment trust company has no executive directors, the Code provisions relating to directors' remuneration do not apply. The remuneration of the Chairman and the Directors is determined by the Board. Details of the Directors' fees are given in the Directors' Remuneration Report on pages 24 to 27.

Management Engagement Committee

Details of the Committee's membership and responsibilities are set out on page 17.

INTERNAL CONTROLS

The Board is responsible for establishing and maintaining the Company's control systems and for reviewing their effectiveness, for ensuring that financial information published or used within the business is reliable, and for regularly monitoring compliance with regulations governing the operation of investment trusts.

The Board, through the Audit Committee, regularly reviews the effectiveness of the internal control systems to identify, evaluate and manage the Company's significant risks. If any significant failings or weaknesses are identified, the Manager and the Board ensure that necessary action is taken to remedy the failings. As part of that process, there are procedures designed to capture and evaluate any failings or weaknesses and should a matter be categorised by the Board as significant, procedures exist to ensure that necessary action is taken to remedy the failing. The effectiveness of the systems of internal control and risk management is reviewed formally on a semi-annual basis. The Board is not aware of any significant failings or weaknesses arising in the year under review.

Control of the risks identified, covering financial, operational, compliance and risk management, is embedded in the operations of the Company. There is a monitoring and reporting process to review these controls which has been in place throughout the year under review and up to the date of this report. This accords with the FRC's "Internal Control: Revised Guidance of Directors on the UK Corporate Code".

The Company's Risk Register sets out risks relevant to the Company and describes, where relevant, the internal controls that are in place at the AIFM, the Investment Manager and other third party service providers to mitigate these risks. The Board formally review this register on a semi-annual basis and BFM as the Company's AIFM reports on any significant issues that have been identified in the period. In addition, BlackRock's internal audit department report to the Company's Audit Committee on a semi-annual basis on the results of testing performed in relation to BlackRock's internal control processes. The Depositary also reviews the control processes in place at the custodian, the fund administrator and the AIFM and reports formally to the Audit Committee twice yearly. Both the AIFM and the Depositary will escalate issues and report to the Audit Committee outside of these meetings on an ad hoc basis to the extent that this is required. The Audit Committee also receives annual and quarterly SOC 1 reports respectively, from BlackRock and BNYM as custodian and fund administrator on the internal controls of their respective operations. The Company does not have its own internal audit function as all the administration is delegated to BlackRock and other third party service providers. This matter is kept under review.

The Board has overall responsibility for the control systems in respect of the Company, as part of that responsibility the Board conducts a review of those controls, although it relies on the controls at the third party service providers.

The Board recognises that these control systems can only be designed to manage rather than to eliminate the risk of failure to achieve business objectives, and to provide reasonable, but not absolute, assurance against material misstatement or loss, and relies on the operating controls established by BlackRock and BNYM in its capacity as custodian and fund administrator.

BlackRock prepares revenue forecasts and management accounts which allow the Board to assess the Company's activities and review its performance.

The Board and BIM (UK) (acting as the Investment Manager under delegation from BFM) have agreed clearly defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are submitted to the Board at each meeting.

FINANCIAL REPORTING

The Statement of Directors' Responsibilities is set out on page 35, the Independent Auditor's Report on pages 36 and 37, and the statement of going concern on page 21.

SOCIALLY RESPONSIBLE INVESTMENT

The Company invests mainly in smaller UK quoted companies. The Board aims to be a socially responsible investor and believes that it is important to invest in companies whose boards act responsibly in respect of environmental, ethical and social issues. BlackRock's evaluation procedure and financial analysis of the companies within the portfolio includes research and appraisal of such matters, and also takes into account environmental policies and other business issues.

BlackRock's policies on socially responsible investment and Corporate Governance are detailed on the website blackrock.com/corporate/en-gb/about-us/responsible-investment/responsible-investment-reports. The Manager is supportive of the UK Stewardship Code, which is voluntary and operates on a "comply or explain basis".

BRIBERY POLICY

The provision of bribes of any nature to third parties in order to gain a commercial advantage is prohibited and is a criminal offence. The Board has a zero tolerance policy towards bribery and a commitment to carry out business fairly, honestly and openly. The Board takes its responsibility to prevent bribery by the Company's Investment Manager on its behalf very seriously and BlackRock has anti-bribery policies and procedures in place which are high level, proportionate and risk based. The Company's service providers have been contacted in respect of their anti-bribery policies and, where necessary, contractual changes are made to existing agreements in respect of anti-bribery provisions.

COMMUNICATION WITH SHAREHOLDERS

All shareholders have the opportunity to attend and vote at the Annual General Meeting. The Notice of Annual General Meeting which is sent out 20 working days in advance of the meeting sets out the business of the meeting and any item not of an entirely routine nature is explained in the Directors' Report on pages 22 and 23. Separate resolutions are proposed for substantive issues.

Shareholders are updated on performance through the publication of the interim and annual reports and the Manager reviews the Company's activities at the Annual General Meeting, where the Chairman of the Board and the Chairman of the Audit Committee and representatives of the Manager are available to answer shareholders' queries. Proxy voting figures are announced to shareholders at the Annual General Meeting and will be made available on the Manager's website shortly after the meeting.

The Company also carries out programmes of institutional presentations in conjunction with BlackRock, following the release of each set of Company results. The Board discusses with BlackRock at each Board meeting any feedback from meetings with shareholders, and it also receives reports from its corporate broker. The Chairman is available to meet directly with shareholders from time to time, as and when required, and on a regular basis will write directly to the Company's largest shareholders to offer the opportunity to meet at their convenience.

There is a section within this Annual Report and Financial Statements entitled 'Additional Information – shareholder Information', on pages 63 to 65, which provides an overview of useful information available to shareholders.

The Company's Annual Report and Financial Statements, the Half Yearly Report, regular factsheets and other information are also published on blackrock.co.uk/brsc which is the website maintained by the Company's Manager. The work undertaken by the auditor does not involve consideration of the maintenance and integrity of the website and, accordingly, the auditor accepts no responsibility for any changes that have occurred to the accounts since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the accounts may differ from legislation in their jurisdiction.

DISCLOSURE AND TRANSPARENCY RULES

Other information required to be disclosed pursuant to the Disclosure and Transparency Rules has been placed in the Directors' Report on pages 19 to 23 because it is information which refers to events that have taken place during the course of the year.

FOR AND ON BEHALF OF THE BOARD

NICHOLAS FRY
Chairman
27 April 2015

Governance

Report of the audit committee

ROLE AND RESPONSIBILITIES

The Company has a separately chaired Audit Committee whose duties include considering and recommending to the Board for approval the contents of the half yearly and annual financial statements, and providing an opinion as to whether the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. The Committee also reviews the external auditor's report on the annual financial statements and is responsible for reviewing and forming an opinion on the effectiveness of the external audit process and audit quality. Other duties include reviewing the appropriateness of the Company's accounting policies and the adequacy of the internal control systems and standards. The Audit Committee operates within written terms of reference detailing its scope and duties and these are available on the website at blackrock.co.uk/brsc.

The Audit Committee meets at least three times a year. Two of the planned meetings are held prior to the Board meetings to approve the half yearly and annual results. The third meeting focuses on the audit plan, internal controls and assessment of fraud. The Audit Committee receives information from BlackRock's internal audit and compliance departments on a regular basis.

COMPOSITION

The Audit Committee comprises all the Directors including the Chairman of the Company; all of whom, including the Chairman of the Committee, have recent and relevant financial experience from their senior management roles. The biographies of the Directors may be found on page 18.

RESPONSIBILITIES AND REVIEW OF THE EXTERNAL AUDIT

During the year the principal activities of the Audit Committee included:

- considering and recommending to the Board for approval the contents of the half yearly and annual financial statements and reviewing the external auditor's report thereon;
- reviewing the scope, execution, results, cost effectiveness, independence and objectivity of the external auditor;
- reviewing and recommending to the Board for approval the audit and non-audit fees payable to the external auditor and the terms of their engagement;
- reviewing and approving the external auditor's plan for the financial year, with a focus on the identification of areas of audit risk, and consideration of the appropriateness of the level of audit materiality adopted;
- reviewing the role of the Board, the Investment Manager and third party service providers in an effective audit process;
- reviewing the efficiency of the external audit process and the quality of the audit engagement partner and the audit team, and making a recommendation to the Board with respect to the reappointment of the auditor;
- considering the quality of the formal audit report to shareholders;
- reviewing the appropriateness of the Company's accounting policies; and
- maintaining the Company's internal control systems and standards and evaluating the need for an internal audit function as set out in the Corporate Governance Statement on pages 30 and 31.

The fees paid to the external auditor are set out in note 5 on page 45.

The Committee has also reviewed and accepted the 'whistleblowing' policy that has been put in place by the Investment Manager under which its staff, in confidence, can raise concerns about possible improprieties in matters of financial reporting or other matters, in so far as they affect the Company.

SIGNIFICANT ISSUES CONSIDERED REGARDING THE ANNUAL REPORT AND FINANCIAL STATEMENTS

During the year, the Audit Committee considered the significant issues and areas of key audit risk in respect of the Annual Report and Financial Statements. The Audit Committee reviewed the external audit plan at an early stage and concluded that the appropriate areas of audit risk relevant to the Company had been identified and that suitable audit procedures had been put in place to obtain reasonable assurance that the financial statements as a whole would be free of material misstatements. The table on page 33 sets out the key areas of risk identified and also explains how these were addressed.

Significant issue	How the issue was addressed
The accuracy of the valuation of the investment portfolio	Listed investments are valued using stock exchange prices provided by third party pricing vendors, Unquoted or illiquid investments, if any, are valued by the Directors based on recommendations from BlackRock's Pricing Committee. The Board reviews detailed portfolio valuations at each of its Board meetings and receives confirmation from the Investment Manager that the pricing basis is appropriate, in line with relevant accounting standards as adopted by the Company and that the carrying values are materially correct. The Board also relies on the Investment Manager's and Fund Accountant's controls which are documented in a semi-annual internal controls report which is reviewed by the Audit Committee.
The risk of misappropriation of assets and unsecured ownership of investments	The Audit Committee reviews reports from its service providers on key controls over the assets of the Company. Any significant issues are reported by the Investment Manager to the Audit Committee. The Investment Manager has put in place procedures to ensure that investments can only be made to the extent that the appropriate contractual and legal arrangements are in place to protect the Company's assets.
The accuracy of the calculation of the management fee and performance fee	The management and performance fees are calculated in accordance with the contractual terms in the investment management agreement by the administrator and are reviewed in detail by the Investment Manager and are also subject to an analytical review by the Board. The audit also includes checks on the calculation of the management fee and performance fee to ensure that they are correctly calculated.
The risk that income is overstated, incomplete or inaccurate through failure to recognise proper income entitlements or to apply the appropriate accounting treatment for recognition of income	The Audit Committee reviews income forecasts, including special dividends, and receives explanations from the Manager for any variations or significant movements from previous forecasts and prior year figures.

As the provision of portfolio valuation, fund accounting and administration services is delegated to BIM (UK), which sub-delegates fund accounting to a third party service provider, and the provision of depositary services is contracted to BNYMTD, the Audit Committee has also reviewed the Service Organisation Control (SOC 01) reports prepared by BlackRock, the Custodian and the Fund Accountants to ensure that the relevant control procedures are in place to cover these areas of risk as identified in the table above are adequate and appropriate and have been designated as operating effectively by the reporting auditor.

AUDITOR AND AUDIT TENURE

The Company's current auditor, Scott-Moncrieff has acted in this role for more than twenty years. The Audit Committee review the performance of the auditor on a regular basis, taking into consideration the services and advice provided to the Company and the fees charged for these services. The last formal tender for audit services was conducted in 2008, and following presentations and interviews with a number of audit firms, it was agreed that Scott-Moncrieff as the incumbent should continue as the Company's auditor. The audit partner changes at least every five years. On the basis of the auditor's performance the Audit Committee has recommended their continuing appointment to the Board. The EU has recently implemented regulations on mandatory auditor rotation which require the appointment of a new auditor every ten years, although this can be extended up to ten additional years if tenders are carried out at the decade mark or another audit firm is appointed to do a joint audit. In view of this change, the Company will put its audit contract out to tender by no later than 2020. The EU legislation also prohibits certain non-audit consulting services and caps the amount of additional fees auditors can charge their clients. The Audit Committee also considers the risks associated with audit firms withdrawing from the market and the relationship with the Company's auditor.

There are no contractual obligations that restrict the Company's choice of auditor. The Audit Committee monitors the level of non-audit work carried out by the auditor and seeks assurances from the auditor that they maintain suitable policies and processes ensuring independence and monitors compliance with the relevant regulatory requirements on an annual basis. The Company operates on the basis whereby the provision of non-audit services by the auditor is permissible where no conflict of interest arises, where the independence of the auditor is not likely to be impinged by undertaking the work and the quality and objectivity of both the non-audit work and audit work will not be compromised. The only non-audit work carried out during the year was the review of the half-yearly financial statements and a review of the debenture certificate. Fees paid in respect of these services were £5,125 (excluding VAT) (2014: £5,125).

The auditor has indicated their willingness to continue in office and resolutions proposing their reappointment and authorising the Audit Committee to determine their remuneration for the ensuing year will be proposed at the AGM.

ASSESSMENT OF THE EFFECTIVENESS OF THE EXTERNAL AUDIT PROCESS

To assess the effectiveness of the external audit, members of the Audit Committee work closely with BlackRock to obtain a good understanding of the progress and efficiency of the audit. The Audit Committee has adopted a framework in its review of the effectiveness of the external audit process and audit quality. This includes a review of the following areas:

- The quality of the audit engagement partner and the audit team;

Report of the audit committee continued

- The expertise of the audit firm and the resources available to it;
- Identification of areas of audit risk;
- Planning, scope and execution of the audit;
- Consideration of the appropriateness of the level of audit materiality adopted;
- The role of the Audit Committee, the Manager and third party service providers in an effective audit process;
- Communications by the auditor with the Audit Committee;
- How the auditor supports the work of the Audit Committee and how the audit contributes added value;
- A review of independence and objectivity of the audit firm; and
- The quality of the formal audit report to shareholders.

Feedback in relation to the audit process and the effectiveness of the Manager in performing its role is also sought from relevant involved parties, notably the audit partner and team. The external auditor attends the audit committee meetings at which semi-annual and annual financial statements are considered and at which they have the opportunity to meet with the Audit Committee without representatives of the Manager being present.

The effectiveness of the Board and the Manager in the external audit process is assessed principally in relation to the timely identification and resolution of any process errors or control breaches that might impact the Company's net asset values and accounting records. It is also assessed by reference to how successfully any issues in respect of areas of accounting judgement are identified and resolved, the quality and timeliness of papers analysing these judgements, the Board and the Manager's approach to the value of independent audit and the booking of any audit adjustments arising, and the timely provision of draft public documents for review by the auditor and the Audit Committee.

To form a conclusion with regard to the independence of the external auditor, the Audit Committee considers whether the skills and experience of the auditor make them a suitable supplier of any non-audit services and whether there are safeguards in place to ensure that there is no threat to their objectivity and independence in the conduct of the audit resulting from the provision of any such services. On an annual basis, Scott-Moncrieff review the independence of their relationship with the Company and report to the Audit Committee, providing details of any other relationship with the Manager. As part of this review, the Audit Committee also receives information about policies and processes for maintaining independence and monitoring compliance with relevant requirements from the Company's auditor, including information on the rotation of audit partners and staff, the level of fees that the Company pays in proportion to the overall fee income of the firm, and the level of related fees, details of any relationships between the audit firm and its staff and the Company as well as an overall confirmation from the auditor of their independence and objectivity. As a result of their review, the Audit Committee has concluded that Scott-Moncrieff is independent of the Company.

CONCLUSIONS IN RESPECT OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS

The production and the audit of the Company's Annual Report and Financial Statements is a comprehensive process requiring input from a number of different contributors. In order to reach a conclusion that the Annual Report and Financial Statements are fair, balanced and understandable, the Board has requested that the Audit Committee advise on whether it considers that these criteria are satisfied. In so doing, the Audit Committee has given consideration to the following:

- the comprehensive control framework over the production of the Annual Report and Financial Statements, including the verification processes in place to deal with the factual content;
- the extensive levels of review that are undertaken in the production process by the Manager, the Depositary and the Audit Committee;
- the controls that are in place at the Manager and third party service providers to ensure the completeness and accuracy of the Company's financial records and the security of the Company's assets; and
- the existence of satisfactory Service Organisation Control reports that have been reviewed and reported on by external auditors to verify the effectiveness of the internal controls of BlackRock, the Custodian and the Fund Accountants.

In addition to the work outlined above, the Audit Committee has reviewed the Annual Report and Financial Statements and is satisfied that, taken as a whole, they are fair, balanced and understandable. In reaching this conclusion, the Audit Committee has assumed that the reader of the Annual Report and Financial Statements would have a reasonable level of knowledge of the investment trust industry. The Audit Committee has reported on these findings to the Board who affirm the Committee's conclusions in the Statement of Directors' Responsibilities in respect of the Annual Report and Financial Statements on page 35.

MICHAEL PEACOCK
Chairman
Audit Committee
27 April 2015

Governance

Statement of directors' responsibilities

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company as at the end of each financial year and of the profit or loss of the Company for that year. In preparing those financial statements, the Directors are required to:

- present fairly the financial position, financial performance and cash flows of the Company;
- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for preparing the Strategic Report, Directors' Report, the Directors' Remuneration Report, the Corporate Governance Statement and the Report of the Audit Committee in accordance with the Companies Act 2006 and applicable regulations, including the requirements of the Listing Rules and the Disclosure and Transparency Rules.

The Directors have delegated responsibility to the Investment Manager for the maintenance and integrity of the Company's corporate and financial information included on the Investment Manager's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names are listed on page 18 confirm that, to the best of their knowledge:

- the financial statements, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Strategic Report contained in the Annual Report and Financial Statements includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

The 2012 UK Corporate Governance Code also requires Directors to ensure that the Annual Report and Financial Statements are fair, balanced and understandable. In order to reach a conclusion on this matter, the Board has requested that the Audit Committee advise on whether it considers that the Annual Report and Financial Statements fulfils these requirements. The process by which the Committee has reached these conclusions is set out in the Audit Committee's report on pages 33 and 34. As a result, the Board has concluded that the Annual Report and Financial Statements for the year ended 28 February 2015, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS
NICHOLAS FRY
Chairman
27 April 2015

Financial statements

Independent auditor's report to the members of BlackRock Smaller Companies Trust plc

We have audited the financial statements of BlackRock Smaller Companies Trust plc for the year ended 28 February 2015, which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Statement of Directors' Responsibilities on page 35, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided at the Financial Reporting Council's website at frc.org.uk/auditscopeukprivate.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 28 February 2015 and of its return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepting Accounting Practice; and
- have been prepared in accordance with the Companies Act 2006.

OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

We identified the following risks that we believe have the greatest impact on the audit strategy:

- Investment portfolio valuation;
- Misappropriation of Company assets;
- Accuracy of fees; and
- Revenue recognition.

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the financial statements. For the purposes of determining whether the financial statements are free from material misstatement we define materiality as the level of error that would change the opinion of the reader of the financial statements.

When establishing our overall audit strategy, we determined the level of uncorrected misstatement that would be material for the financial statements as a whole to be £4,570,000 which is 1% of net assets (net assets being a key performance indicator for investors in the Company).

Materiality for revenue transactions was determined to be £81,000, as we believe readers of the financial statements will be more sensitive to variances in the revenue account.

We agreed with the Audit Committee that we would report to them individual and extrapolated errors in excess of a threshold of £20,000, as well as differences below that threshold that we believe warranted reporting on qualitative grounds.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

The way in which we scoped our audit in order to address the assessed risks of material misstatement was as follows:

Investment portfolio valuation

The holdings and valuations of all investments were reconciled to the custodian report. A sample of year end valuations were agreed to appropriate external sources.

Misappropriation of Company assets

We reviewed the accounting records for any significant transactions that were outside the normal course of business.

Accuracy of fees

The management fee and performance fee were recalculated, to ensure that they were accurate and are calculated in accordance with the terms of the investment management agreement.

Revenue recognition

The income recorded for a sample of securities was checked to appropriate external sources. We paid particular attention to any special dividends and their accounting treatment.

A sample of investment disposals was agreed to contract notes to ensure these were correctly recorded.

The Audit Committee's consideration of these risks is set out on pages 32 and 33.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement in compliance with rules 7.2.5 and 7.2.6 in the Disclosure and Transparency rules sourcebook issued by the Financial Conduct Authority (information about internal control and risk management systems in relation to financial reporting processes and share capital structure) is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

Under the International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report and Financial Statements is fair, balanced and understandable and whether the Annual Report and Financial Statements appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept and returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and return; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement on page 21 in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the Corporate Governance Code specified for our review; and
- certain elements of the report to the shareholders by the Board on Directors' remuneration.

Gareth Magee (Senior Statutory Auditor)
For and on behalf of Scott-Moncrieff,
Statutory Auditor
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL
27 April 2015

Financial statements

Income statement for the year ended 28 February 2015

	Notes	Revenue 2015	Revenue 2014	Capital 2015	Capital 2014	Total 2015	Total 2014
		£’000	£’000	£’000	£’000	£’000	£’000
(Losses)/gains on investments held at fair value through profit or loss	10	–	–	(12,578)	129,276	(12,578)	129,276
Exchange gains		–	–	–	1	–	1
Income from investments held at fair value through profit or loss	3	9,741	8,460	127	–	9,868	8,460
Other income	3	24	–	–	–	24	–
Investment management and performance fees	4	(620)	(574)	(3,120)	(2,837)	(3,740)	(3,411)
Other operating expenses	5(a)	(611)	(492)	(26)	–	(637)	(492)
Net return before finance costs and taxation		8,534	7,394	(15,597)	126,440	(7,063)	133,834
Finance costs	6	(413)	(402)	(1,239)	(1,204)	(1,652)	(1,606)
Net return on ordinary activities before taxation		8,121	6,992	(16,836)	125,236	(8,715)	132,228
Taxation on ordinary activities	7	(16)	(5)	–	–	(16)	(5)
Net return on ordinary activities after taxation	9	8,105	6,987	(16,836)	125,236	(8,731)	132,223
Return per ordinary share	9	16.93p	14.59p	(35.17p)	261.56p	(18.24p)	276.15p

The total column of this statement represents the Profit and Loss Account of the Company.

The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies (“AIC”). The Company had no recognised gains or losses other than those disclosed in the Income Statement. All items in the above statement derive from continuing operations. All income is attributable to the equity holders of BlackRock Smaller Companies Trust plc. There is no material difference between the loss (2014: profit) on ordinary activities before taxation and the loss (2014: profit) for the financial year stated above and their historical cost equivalents.

The notes on pages 42 to 57 form part of these financial statements.

Financial statements

Reconciliation of movements in shareholders' funds for the year ended 28 February 2015

	Note	Called-up share capital	Share premium account	Capital redemption reserve	Capital reserves	Revenue reserve	Total
		£'000	£'000	£'000	£'000	£'000	£'000
For the year ended 28 February 2014							
At 28 February 2013		12,498	38,952	1,982	280,990	10,512	344,934
Return for the year		–	–	–	125,236	6,987	132,223
Dividends paid (see (a) below)	8	–	–	–	–	(5,314)	(5,314)
At 28 February 2014		12,498	38,952	1,982	406,226	12,185	471,843
For the year ended 28 February 2015							
At 28 February 2014		12,498	38,952	1,982	406,226	12,185	471,843
Return for the year		–	–	–	(16,836)	8,105	(8,731)
Dividends paid (see (b) below)	8	–	–	–	–	(6,176)	(6,176)
At 28 February 2015		12,498	38,952	1,982	389,390	14,114	456,936

(a) Final dividend of 6.50p per share for the year ended 28 February 2013, declared on 26 April 2013 and paid on 3 July 2013 and interim dividend of 4.60p per share for the six months ended 31 August 2013, declared on 24 October 2013 and paid on 29 November 2013.
(b) Final dividend of 7.40p per share for the year ended 28 February 2014, declared on 25 April 2014 and paid on 17 June 2014 and interim dividend of 5.50p per share for the six months ended 31 August 2014, declared on 24 October 2014 and paid on 3 December 2014.

The notes on pages 42 to 57 form part of these financial statements.

Financial statements

Balance sheet as at 28 February 2015

	Notes	2015	2014
		£'000	£'000
Fixed assets			
Investments held at fair value through profit or loss	10	496,332	510,627
Current assets			
Debtors	11	2,607	2,169
Cash		2,414	4,187
		5,021	6,356
Creditors – amounts falling due within one year	13	(4,525)	(5,263)
Net current assets		496	1,093
Total assets less current liabilities		496,828	511,720
Creditors – amounts falling due after more than one year	14	(39,892)	(39,877)
Net assets		456,936	471,843
Capital and reserves			
Called up share capital	15	12,498	12,498
Share premium account	16	38,952	38,952
Capital redemption reserve	16	1,982	1,982
Capital reserves	16	389,390	406,226
Revenue reserve	16	14,114	12,185
Total shareholders' funds		456,936	471,843
Net asset value per ordinary share (debenture at par value)	17	954.34p	985.47p
Net asset value per ordinary share (debenture at fair value)	17	946.91p	978.01p

The financial statements on pages 38 to 57 were approved and authorised for issue by the Board of Directors on 27 April 2015 and signed on its behalf by Nicholas Fry, Chairman, and Michael Peacock, Director and Audit Committee Chairman.

BlackRock Smaller Companies Trust plc.

Registered in Scotland, No. 6176.

The notes on pages 42 to 57 form part of these financial statements.

Financial statements

Cash flow statement for the year ended 28 February 2015

	Notes	2015	2014
		£'000	£'000
Net cash inflow from operating activities	5(b)	5,802	5,004
Servicing of finance		(1,639)	(1,597)
Taxation			
Income tax received		6	–
Overseas withholding tax paid		(10)	(1)
Total taxation		(4)	(1)
Capital expenditure and financial investment			
Purchase of investments		(203,832)	(182,342)
Proceeds from sale of investments		204,076	180,173
Net cash inflow/(outflow) from capital expenditure and financial investment		244	(2,169)
Financing activities			
Equity dividends paid	8	(6,176)	(5,314)
Inflow from drawdown of revolving loan		–	10,000
Net cash (outflow)/inflow from financing		(6,176)	4,686
(Decrease)/increase in cash in the year	12(a)	(1,773)	5,923

The notes on pages 42 to 57 form part of these financial statements.

Financial statements

Notes to the financial statements

1. PRINCIPAL ACTIVITY

The principal activity of the Company is that of an investment trust company within the meaning of section 1158 of the Corporation Tax Act 2010.

2. ACCOUNTING POLICIES

(a) Basis of preparation

The Company's financial statements have been prepared on the historical cost basis of accounting, except for investments which are managed and evaluated on a fair value basis in accordance with the provisions of the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ("UK GAAP") and with the Statement of Recommended Practice ("SORP") for investment trusts and venture capital trusts issued by the Association of Investment Companies ("AIC"), revised in January 2009. The principal accounting policies adopted by the Company are set out below. The policies have been applied consistently throughout the year and are consistent with those applied in the preceding year. All of the Company's operations are of a continuing nature.

In 2012, 2013 and 2014 the Financial Reporting Council ("FRC") revised financial reporting standards in the United Kingdom and Republic of Ireland. The revisions fundamentally reformed financial reporting, replacing the extant standards with a number of new Financial Reporting Standards. The only new standard relevant to the Company is FRS 102. FRS 102 is effective for accounting periods beginning on or after 1 January 2015 with early adoption permitted. The Company does not plan to early adopt FRS 102. The Manager is currently evaluating the new standard to determine the impact it will have on the Company's financial statements, and the standard will be adopted for the financial year ended 28 February 2016.

The Company's financial statements are presented in sterling, which is the currency of the primary economic environment in which the Company operates. All values are rounded to the nearest thousand pounds (£'000) except where otherwise stated.

(b) Presentation of Income Statement

In order to better reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Income Statement between items of a revenue and a capital nature has been presented alongside the Income Statement.

(c) Investments designated as held at fair value through profit or loss

The Company's investments are classified as held at fair value through profit or loss in accordance with FRS 26 – 'Financial Instruments: Recognition and Measurement' and are managed and evaluated on a fair value basis in accordance with its investment strategy.

All investments are designated upon initial recognition as held at fair value through profit or loss. Purchases of investments are recognised on a trade date basis. Sales are recognised at the trade date of the disposal and the proceeds are measured at fair value, which is regarded as the proceeds of the sale less any transaction costs.

The fair value of the financial investments is based on their quoted bid price at the balance sheet date on the exchange on which the investment is quoted, without deduction for the estimated future selling costs. Unquoted investments are valued by the Directors at fair value using International Private Equity and Venture Capital Valuation Guidelines. This policy applies to all current and non current asset investments of the Company.

Changes in the value of investments held at fair value through profit or loss and gains and losses on disposal are recognised in the Income Statement as 'Gains or losses on investments held at fair value through profit or loss'. Also included within this heading are transaction costs in relation to the purchase or sale of investments.

In order to improve the disclosure of how companies measure the fair value of their financial investments, the disclosure requirements in FRS 29 have been extended to include a fair value hierarchy. The fair value hierarchy consists of the following three levels:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability

Level 3 – inputs for the asset or liability that are not based on observable market data

This policy applies to non current asset investments held by the Company.

(d) Segmental reporting
The Directors are of the opinion that the Company is engaged in a single segment of business being investment business.

(e) Income
Dividends receivable on equity shares are treated as revenue for the year on an ex-dividend basis. Where no ex-dividend date is available, dividends receivable on or before the year end are treated as revenue for the year. Provision is made for any dividends not expected to be received. Fixed returns on non equity securities are recognised on a time apportionment basis. Interest income is accounted for on an accruals basis.

Special dividends are treated as a capital receipt or revenue receipt depending on the facts or circumstances of each particular case.

Dividends are accounted for in accordance with FRS 16 'Current Taxation' on the basis of income actually receivable, without adjustment for tax credits attaching to the dividend. Dividends from overseas companies continue to be shown gross of withholding tax.

Where the Company has elected to receive its dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is recognised in the capital column of the Income Statement.

(f) Expenses
All expenses are accounted for on an accruals basis. Expenses have been treated as revenue except as follows:

- expenses including fInance costs which are incidental to the acquisition or disposal of investments are included within the cost of the investments. Details of transaction costs on the purchases and sales of investments are disclosed in note 10 on page 48;

- the investment management fee has been allocated 75% to the capital column and 25% to the revenue column of the Income Statement in line with the Board's expected long term split of returns, in the form of capital gains and income respectively, from the investment portfolio; and

- performance fees have been allocated 100% to the capital column of the Income Statement, as performance has been predominantly generated through capital returns of the investment portfolio.

(g) Long term borrowings and finance costs
Long term borrowings are carried in the Balance Sheet at amortised cost, representing the cumulative amount of net proceeds on issue plus accrued finance costs. Finance costs are accounted for on an accruals basis. Finance costs are allocated, insofar as they relate to the financing of the Company's investments, 75% to the capital column and 25% to the revenue column of the Income Statement, in line with the Board's expected long term split of returns, in the form of capital gains and income respectively, from the investment portfolio.

(h) Taxation
Deferred taxation is recognised in respect of all temporary differences at the financial reporting date, where transactions or events that result in an obligation to pay more taxation in the future or right to less taxation in the future have occurred at the balance sheet date. Deferred tax is measured on a non-discounted basis, at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. This is subject to deferred taxation assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the temporary differences can be deducted.

Where expenses are allocated between capital and revenue any tax relief in respect of the expenses is allocated between capital and revenue returns on the marginal basis using the Company's effective rate of corporation taxation for the accounting period.

(i) Debtors
Debtors include sales for future settlement, other debtors, pre-payments and accrued income in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Debtors are recognised initially at fair value and, where applicable, subsequently measured at amortised cost using the effective interest rate method.

Financial statements

Notes to the financial statements continued

2. ACCOUNTING POLICIES continued

(j) Creditors

Creditors include purchases for future settlements, interest payable, share buyback costs and accruals in the ordinary course of business. Creditors are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Creditors are recognised initially at fair value and, where applicable, subsequently measured at amortised cost using the effective interest rate method.

(k) Dividends payable

Under FRS 21 dividends proposed after the balance sheet date should not be accrued in the financial statements unless they have been approved by shareholders before the balance sheet date.

Dividends payable to equity shareholders are recognised in the Reconciliation of Movements in Shareholders' Funds when they have been approved by shareholders in the case of a final dividend, or paid in the case of an interim dividend, and have become a liability of the Company.

(l) Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short term, highly liquid investments, that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

3. INCOME

	2015 £'000	2014 £'000
Investment Income:		
UK listed dividends	8,005	7,115
UK listed dividends – special	1,085	936
Property income dividends	153	145
Overseas listed dividends	498	264
	9,741	8,460
Other income:		
Deposit interest	4	–
Underwriting commission	20	–
	24	–
Total	9,765	8,460

Special dividends of £127,000 have been recognised in capital (2014: nil).

4. INVESTMENT MANAGEMENT AND PERFORMANCE FEES

	2015			2014		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	620	1,861	2,481	574	1,726	2,300
Performance fee	–	1,259	1,259	–	1,111	1,111
Total	620	3,120	3,740	574	2,837	3,411

The investment management fee is calculated based on 0.65% in respect of the first £50 million of the Company's total assets less current liabilities, reducing to 0.50% thereafter. A performance fee is payable at the average rate of 10% of the annualised excess performance over the benchmark in the two previous financial years, applied to the average of the total assets less current liabilities of the Company. The fee is payable annually in April and is capped at 0.25% of the average of the total assets less current liabilities of the Company.

8.0% outperformance was generated against the Company's benchmark for the performance period ended 28 February 2015 (2014: 8.4%). The fee was restricted by the 0.25% cap and £1,259,000 has been accrued for the year ended 28 February 2015 (2014: £1,111,000).

Performance fees have been wholly allocated to capital reserves as the performance has been predominately generated through capital returns of the investment portfolio.

5. OPERATING ACTIVITIES

	2015 £'000	2014 £'000
(a) Other operating expenses[1]:		
Auditor's remuneration:		
– audit services	21	19
– non audit services[2]	6	6
Registrar's fee	31	28
Marketing fees	186	119
Depositary fees	40	–
Directors' remuneration (excluding expenses)	131	122
Other administrative costs	196	198
	611	492
Transaction charges – capital	26	–
	637	492
The Company's ongoing charges – calculated as a percentage of average shareholders' funds and using operating expenses, excluding performance fees, finance costs and taxation were:	0.7%	0.7%
The Company's ongoing charges – calculated as a percentage of average shareholders' funds and using operating expenses, including performance fees, and excluding finance costs and taxation were:	1.0%	1.0%

1 Expenses charged to capital arise from custodian transaction charges.
2 Non audit services relate to the review of the half yearly financial statements and debenture certificate.

	£'000	£'000
(b) Reconciliation of net return before finance costs and taxation to net cash flow from operating activities		
Net return before finance costs and taxation	(7,063)	133,834
Losses/(gains) on investments held at fair value through profit and loss	12,578	(129,276)
Exchange losses of a capital nature	–	(1)
Increase in accrued income	(132)	(40)
Increase in creditors	419	487
Net cash inflow from operating activities	5,802	5,004

6. FINANCE COSTS

	2015			2014		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
7.75% debenture stock interest	290	872	1,162	291	872	1,163
Loan and overdraft interest	119	356	475	108	321	429
Amortised debenture stock issue expenses	4	11	15	3	11	14
	413	1,239	1,652	402	1,204	1,606

The allocation of finance costs between revenue and capital reflects the level of funds on deposit during the year. It takes into account the fact such funds on deposit are only capable of earning a revenue return. The remaining finance costs have been allocated in the ratio 75:25 between capital and revenue in line with the Directors' expected long term split of returns from the investment portfolio.

7. TAXATION

(a) Analysis of charge for the year

	2015			2014		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Current tax:						
Overseas tax (note 7(b))	16	–	16	5	–	5
Total taxation	16	–	16	5	–	5

(b) Factors affecting current tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation taxation in the UK for a large company of 21.17% (2014: 23.08%). The differences are explained below:

	2015			2014		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Return on ordinary activities before taxation	8,121	(16,836)	(8,715)	6,992	125,236	132,228
Return on ordinary activities multiplied by standard rate of corporation tax of 21.17% (2014: 23.08%)	1,719	(3,564)	(1,845)	1,614	28,904	30,518
Effects of:						
Income not subject to corporation tax	(2,029)	(27)	(2,056)	(1,919)	–	(1,919)
Losses on investments held at fair value through profit or loss (not allowable)	–	2,663	2,663	–	(29,836)	(29,836)
Disallowed expenses	–	6	6	–	–	–
Excess expenses not utilised	310	922	1,232	305	932	1,237
Overseas tax charge	16	–	16	5	–	5
Current corporation tax charge (note 7(a))	16	–	16	5	–	5

Investment trusts are exempt from corporation tax on capital gains provided the Company obtains agreement from HMRC that the tests in section 1158 of the Coproration Tax Act 2010 have been met.

The standard rate of corporation tax in the UK changed from 23% to 21% with effect from 1 April 2014.

At 28 February 2015 the Company had net surplus management expenses of £34,690,000 (2014: £30,513,000), and a non-trade loan relationship deficit of £19,376,000 (2014: £17,728,000). A deferred tax asset has not been recognised in respect of these losses as the Company is not expected to generate taxable income in the future in excess of the deductible expenses of that future period and, accordingly, it is unlikely the Company will be able to reduce future tax liabilities through the use of the existing excess expenses and loan relationship deficits.

8. DIVIDENDS

Dividends paid on equity shares:	Record date	Payment date	2015 £'000	2014 £'000
2013 final of 6.50p	31 May 2013	3 July 2013	–	3,112
2014 interim of 4.60p	1 November 2013	29 November 2013	–	2,202
2014 final of 7.40p	16 May 2014	17 June 2014	3,543	–
2015 interim of 5.50p	7 November 2014	3 December 2014	2,633	–
			6,176	5,314

The Directors have proposed a final dividend of 9.00p per share in respect of the year ended 28 February 2015. The proposed dividend will be paid, subject to shareholders' approval on 25 June 2015 to shareholders on the Company's register on 22 May 2015. The final dividend has not been included as a liability in these financial statements as proposed dividends are only recognised in the financial statements when they have been approved by shareholders, or in the case of special dividends, recognised when paid to shareholders.

The total dividends payable in respect of the year which form the basis of determining retained income for the purposes of section 1158 of the Corporation Tax Act 2010 and section 833 of the Companies Act 2006, and the amounts proposed meet the relevant requirements as set out in this legislation.

Dividends paid or proposed on equity shares:	2015 £'000	2014 £'000
Interim paid 5.50p (2014: 4.60p)	2,633	2,202
Final proposed of 9.00p per share (2014: 7.40p)	4,309	3,543
	6,942	5,745

* Based upon 47,879,792 ordinary shares (excluding treasury shares) in issue on 27 April 2015.

9. (LOSS)/RETURN PER ORDINARY SHARE

Revenue and capital earnings per share are shown below and have been calculated using the following:

	2015	2014
Net revenue return attributable to ordinary shareholders (£'000)	8,105	6,987
Net capital (loss)/return attributable to ordinary shareholders (£'000)	(16,836)	125,236
Total (loss)/return (£'000)	(8,731)	132,223
Total shareholders' funds (£'000)	456,936	471,843
The weighted average number of ordinary shares in issue during each year, on which the return per ordinary share was calculated, was:	47,879,792	47,879,792
The actual number of ordinary shares in issue at the end of the year, on which the net asset value was calculated, was:	47,879,792	47,879,792

Financial statements

Notes to the financial statements continued

9. (LOSS)/RETURN PER ORDINARY SHARE continued

	2015			2014		
	Revenue p	Capital p	Total p	Revenue p	Capital p	Total p
Return per share						
Calculated on weighted average number of ordinary shares	16.93	(35.17)	(18.24)	14.59	261.56	276.15
Calculated on actual number of ordinary shares	16.93	(35.17)	(18.24)	14.59	261.56	276.15
Net asset value per share (debenture at par value)	–	–	954.34	–	–	985.47
Net asset value per share (debenture at fair value)	–	–	946.91	–	–	978.01

10. INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 £'000	2014 £'000
UK equity listed investments held at fair value	347,160	352,350
UK equity quoted AIM investments held at fair value	149,172	158,277
Total equity investments	496,332	510,627
Valuation brought forward	510,627	379,655
Investment holding gains	(186,365)	(98,948)
Opening cost of equity investments	324,262	280,707
Additions at cost	202,676	183,818
Disposals	(151,247)	(140,263)
Cost carried forward	375,691	324,262
Closing investment holding gains	120,641	186,365
Closing valuation of equity investments	496,332	510,627

During the year, the Company incurred purchase transaction costs of £895,000 (2014: £952,000) and sale transaction costs of £270,000 (2014: £241,000).

(Losses)/gains on investments held at fair value through profit or loss

	2015 £'000	2014 £'000
Realised gains on sales	53,146	41,859
Movement in investment holdings gains	(65,724)	87,417
	(12,578)	129,276

11. DEBTORS

	2015 £'000	2014 £'000
Sales for future settlement	2,306	1,988
Taxation recoverable	–	12
Prepayments and accrued income	301	169
	2,607	2,169

12. MOVEMENT IN NET DEBT

	2015 £'000	2014 £'000
(a) Reconciliation of net cash flow to movement in net debt		
(Decrease)/increase in cash in the year	(1,773)	5,923
Drawdown of revolving facility	–	(10,000)
Exchange movements	–	1
Amortised debenture stock issue expenses	(15)	(14)
Change in net debt	(1,788)	(4,090)
Net debt at the beginning of the year	(35,690)	(31,600)
Net debt at the end of the year	(37,478)	(35,690)

	At 1 March 2014 £'000	Cash flows £'000	Exchange movements £'000	Amortised issue expenses £'000	At 28 February 2015 £'000
(b) Analysis of change in net debt					
Cash, overdraft, short term deposits and money market funds	4,187	(1,773)	–	–	2,414
Debt due after more than one year	(39,877)	–	–	(15)	(39,892)
Net debt at the end of the year	(35,690)	(1,773)	–	(15)	(37,478)

13. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £'000	2014 £'000
Purchases for future settlement	1,410	2,567
Other creditors	3,115	2,696
	4,525	5,263

14. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2015 £'000	2014 £'000
7.75% debenture stock 2022*	15,000	15,000
Unamortised debenture stock issue expenses	(108)	(123)
	14,892	14,877
Scotia Bank loan	25,000	25,000
	39,892	39,877

* The fair value of the 7.75% debenture stock using the last available quoted offer price from the London Stock Exchange as at 28 February 2015 was 123.00p per debenture, a total of £18,450,000. (At 28 Feburary 2014: 123.00p, a total of £18,450,000.)

The £15 million debenture stock was issued on 8 July 1997. Interest on the stock is payable in equal half yearly instalments on 31 July and 31 January in each year. The stock is secured by a first floating charge over the whole of the assets of the Company and is redeemable at par on 31 July 2022.

The three year £25 million multi-currency revolving loan facility with Scotia Bank (Ireland) Limited was increased to £35 million during June 2014. As at 28 February 2015, £25 million of the facility was utilised (2014: £25 million facility, fully utilised). Under the agreement the termination date of this facility is the third anniversary of the effective date being June 2017. Interest on this facility is reset every three months and is currently charged at the rate of 1.713380% (2014: 1.821250%).

Notes to the financial statements continued

15. CALLED-UP SHARE CAPITAL

	Ordinary shares in issue number	Treasury shares number	Total shares number	Nominal value £'000
Allotted, called up and fully paid share capital comprised:				
Ordinary shares of 25p each				
At 1 March 2014	47,879,792	2,113,731	49,993,523	12,498
At 28 February 2015	47,879,792	2,113,731	49,993,523	12,498

During the year no ordinary shares were purchased for cancellation or placed in treasury (2014: nil).

The ordinary shares (excluding any shares held in treasury) carry the right to receive any dividends and have one voting right per ordinary share. There are no restrictions on the voting rights of the ordinary shares or on the transfer of ordinary shares.

16. SHARE PREMIUM ACCOUNT AND RESERVES

	Share premium account £'000	Capital redemption reserve £'000	Capital reserve (arising on investments sold) £'000	Capital reserve (arising on revaluation of investments held) £'000	Revenue reserve £'000
At 1 March 2014	38,952	1,982	219,861	186,365	12,185
Movement during the year:					
Revenue return for the year	–	–	–	–	8,105
Gains on realisation of investments	–	–	53,146	–	–
Special dividends	–	–	127	–	–
Movement in investment holding gains	–	–	–	(65,724)	–
Finance costs, transaction costs, investment management and performance fees charged to capital	–	–	(4,385)	–	–
Dividends paid during the year	–	–	–	–	(6,176)
At 28 February 2015	38,952	1,982	268,749	120,641	14,114

17. NET ASSET VALUE PER ORDINARY SHARE

	2015	2014
Net assets attributable to ordinary shareholders (£'000)	456,936	471,843
The actual number of ordinary shares in issue at the end of each year on which the net asset value per ordinary share was calculated, was:	47,879,792	47,879,792
Net asset value per ordinary share (with debenture at par value)	954.34p	985.47p
Net asset value per ordinary share (with debenture at par value, capital only)	942.91p	975.48p
Net asset value per ordinary share (with debenture at fair value)*	946.91p	978.01p
Ordinary share price	812.00p	908.00p

* The fair value of the 7.75% debenture stock using the last available quoted offer price from the London Stock Exchange as at 28 February 2015 was 123.00p per debenture, a total of £18,450,000. (At 28 Feburary 2014: 123.00p, a total of £18,450,000.)

18. RISK MANAGEMENT POLICIES AND PROCEDURES

The Company's investment activities expose it to various types of risks which are associated with the financial instruments and markets in which it invests. The following information is not intended to be a comprehensive summary of all risks and shareholders should refer to the Alternative Investment Fund Managers' Directive Fund 3.2.2R Disclosures which can be found at blackrock.co.uk/brsc for a more detailed discussion of the risks inherent in investing in the Company.

RISK MANAGEMENT FRAMEWORK

The following information refers to the risk management framework of the Alternative Investment Fund Manager (AIFMD); however, as disclosed in the Corporate Governance Statement on pages 28 to 31 and in the Statement of Director's Responsibilities on page 35, it is the ultimate responsibility of the Board to ensure that the Company's risks are appropriately monitored, and to the extent that elements of this are delegated to third party service providers, the Board is responsible for reviewing whether the relevant parties are discharging their duties in accordance with the terms of relevant agreements and taking appropriate action to the extent issues are identified.

The Directors of the Alternative Investment Fund Manager (AIFM) review quarterly investment performance reports and receive semi-annual presentations in person from the Investment Manager covering the Company's performance and risk profile during the year. The AIFM has delegated the day-to-day administration of the investment programme to the Investment Manager. The Investment Manager is also responsible for ensuring that the Company is managed within the terms of its investment guidelines and limits set out in the Alternative Investment Fund Managers' Directive Fund 3.2.2R Disclosures which can be found at blackrock.co.uk/brsc.

The AIFM is responsible for the investment performance, product risk monitoring and oversight and has the responsibility for the monitoring and oversight of regulatory and operational risk for the Company. The Directors of the AIFM have appointed a Risk Manager who has responsibility for the daily risk management process with assistance from key risk management personnel of the Investment Manager, including members of the Risk and Quantitative Analysis Group (RQA Group) which is a centralised group within BlackRock which performs an independent risk management function. The RQA Group independently identifies, measures and monitors investment risk and monitors the risk management practices being deployed across the Company. The RQA Group has the ability to determine if the appropriate risk management processes are in place across the Company including the risk management tools employed, how the levels of risk are controlled, ensuring risk/return is considered in portfolio construction and reviewing outcomes.

The AIFM reports to the Board at each meeting on key risk metrics and risk management processes; in addition, the Depositary monitors the performance of the AIFM and reports to the Audit Committee. Any significant issues are reported to the Board on an ad hoc basis as they arise.

RISK EXPOSURES

The risk exposures of the Company are set out as follows:

(a) Market risk

Market risk arises mainly from uncertainty about future values of financial instruments influenced by currency, interest rate and other price movements. It represents the potential loss the Company may suffer through holding market positions in financial instruments in the face of market movements.

Value at Risk (VaR) is a statistical risk measure that estimates the potential portfolio loss from adverse market moves in an ordinary market environment. VaR analysis reflects the interdependencies between risk variables, unlike a traditional sensitivity analysis.

The VaR calculations are based on a confidence level of 99% with a holding period of not greater than 1 month (20 business days) and a historical observation period of not less than 1 year (250 business days). A VaR number is defined at a specified probability and a specified time horizon. A 99% 1 month VaR means that the expectation is that 99% of the time over a 1 month period the Fund will lose less than this number in percentage terms. Therefore, higher VaR numbers indicate higher risk. It is noted that the use of VaR methodology has limitations, namely assumptions that risk factor returns are normally distributed and that the use of historical market data as a basis for estimating future events does not encompass all possible scenarios, particularly those that are of an extreme nature and that the use of a specified confidence level (e.g. 99%) does not take into account losses that occur beyond this level. There is some probability that the loss could be greater than the VaR amounts. These limitations and the nature of the VaR measure mean that the Company can neither guarantee that losses will not exceed the VaR amounts indicated, nor that losses in excess of the VaR amounts will not occur more frequently.

The one-month VaR as at 28 February 2015 and 28 February 2014 (based on a 99% confidence level) was 8.1% and 9.0%, respectively.

18. RISK MANAGEMENT POLICIES AND PROCEDURES continued

(i) Market risk arising from foreign currency risk

Exposure to foreign currency risk

As the Company's objective is to achieve capital growth for shareholders through investment mainly in smaller UK quoted companies, substantially all of the Company's assets are sterling denominated. From time to time, the Company may hold an overseas line of stock to the extent that the underlying investment has exposure to the UK market, and consequently at any time a very small proportion of the Company's assets, liabilities and income may be denominated in currencies other than sterling (the Company's functional currency and that in which it reports its results).

As at 28 February 2015, there was 1 non-sterling denominated investment with a market value of £4,363 (2014: 1 with a market value of £18,721).

(ii) Market risk arising from interest rate risk

Exposure to interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk specifically through its cash holdings and variable rate borrowings. Interest rate movements may affect the level of income receivable from any cash at bank and on deposits and the level of interest payable on variable rate borrowings. The effect of interest rate changes on the earnings of the companies held within the portfolio may have a significant impact on the valuation of the Company's investments.

Interest rate exposure

The Company's exposure to interest rates on borrowings at 28 February was:

	2015			2014		
	Within one year £'000	More than one year £'000	Total £'000	Within one year £'000	More than one year £'000	Total £'000
Exposure to floating interest rates:						
Scotia Bank loan	–	(25,000)	(25,000)	–	(25,000)	(25,000)
Exposure to fixed interest rates:						
7.75% debenture stock 2022	–	(14,892)	(14,892)	–	(14,877)	(14,877)
Total exposure to interest rates	–	(39,892)	(39,892)	–	(39,877)	(39,877)

The above year end amounts may not be representative of the exposure to interest rates during the year, as the level of exposure changes as investments are made, borrowings are drawn down and repaid, and the mix of borrowings between floating and fixed interest rates change. During the year the Company has been exposed to interest rate risk through its overdraft facility and cash deposits with BNYM and the loan with Scotia Bank. Borrowing is varied throughout the year as part of a Board endorsed policy. As set out in the table above, as at 28 February 2015, the Company had a net overdraft of £nil and a drawn down balance of £25,000,000 on the revolving loan facility of £35,000,000 (2014: overdraft of £nil and a drawn down loan balance of £25,000,000).

Management of interest rate risk

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions. Derivative contracts are not used to hedge against the exposure to interest rate risk. Interest rate sensitivity risk has been covered by the VaR analysis under the market risk section.

The Company's debenture stock accrues interest at a fixed rate of 7.75% per annum. The Company expects to hold this stock to maturity, therefore it is not exposed to variations in interest rates.

Interest received on cash balances, or paid on the bank overdraft respectively, was on average 0.15% and 1.47% per annum (2014: 0.15% and 1.47%). Interest payable on the £15 million debenture stock is accrued at a fixed rate of 7.75% per annum. Interest payable on the £25 million utilised multi-currency revolving loan facility is at a rate of 1.713380% (2014: £25 million payable at a rate of 1.821250%).

(iii) Market risk arising from other price risk

Exposure to other price risk

Other price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market.

The Company is exposed to market price risk arising from its equity investments. The movements in the prices of these investments result in movements in the performance of the Company.

The Company's exposure to other changes in market prices at 28 February 2015 on its equity investments was £496,332,000 (2014: £510,627,000).

Concentration of exposure to market price risks

An analysis of the Company's fifty largest investments, and sector analysis, is shown on pages 14 to 16. At 28 February 2015, this shows the majority of the investments' value is in UK companies. Accordingly, there is a concentration of exposure to the UK, although it is recognised that an investment's country of domicile or of listing does not necessarily equate to its exposure to the economic conditions in that country.

Management of other price risk

Exposures to individual stocks are monitored by the Fund Manager, who takes into account the strategy of the Company and the need to hold a diversified portfolio. No more than 15% of the Company's assets may be invested in any one stock, but in practice positions are much smaller. Limits on individual holdings are coded on BlackRock's trading systems and are monitored daily.

Regular review by BlackRock's RQA Department of sector allocations and various concentration of risk metrics identifies areas of concern. Portfolio concentrations are reviewed by RQA on a regular basis and areas of concern are highlighted to and discussed with the Portfolio Manager.

(b) Counterparty credit risk

Counterparty credit risk is the risk that the issuer of a financial instrument will fail to fulfil an obligation or commitment that it has entered into with the Company.

The Company is exposed to counterparty credit risk from the parties with which it trades and will bear the risk of settlement default. Counterparty credit risk to the Company arises from transactions to purchase or sell equity investments.

There were no past or impaired assets as of 28 February 2015 (28 February 2014: nil).

The major counterparties engaged with the Company are all widely recognised and regulated entities.

Depositary

With effect from 2 July 2014, the Company's Depositary is BNY Mellon Trust & Depositary (UK) Limited (the 'Depositary') (S+P's long term credit rating as at 31 December 2014: A+). All of the equity assets and cash of the Company are held within the custodial network of the Depositary. Bankruptcy or insolvency of the Depositary may cause the Company's rights with respect to its investments held by the Depositary to be delayed or limited. The maximum exposure to this risk at 28 February 2015 is the total value of equity investments held with the Depositary and cash and cash equivalents in the Balance Sheet.

In accordance with the requirements of the depositary agreement, the Depositary is required to ensure that any agents it appoints to assist in safekeeping the assets of the Company will segregate the assets of the Company. Thus, in the event of insolvency or bankruptcy of the Depositary, the Company's non-cash assets are segregated and this reduces counterparty credit risk.

The Company's listed investments are held on its behalf by The Bank of New York Mellon (International) Limited as the Company's custodian. Bankruptcy or insolvency of the custodian may also cause the Company's rights with respect to securities held by the custodian to be delayed or limited.

The Company will also be exposed to the counterparty credit risk of the Depositary in relation to the Company's cash held by the Depositary. In the event of the insolvency or bankruptcy of the Depositary, the Company will be treated as a general creditor of the Depositary in relation to cash holdings of the Company.

18. RISK MANAGEMENT POLICIES AND PROCEDURES continued

In summary, the exposure to credit risk in respect of cash holdings, brokers and sundry debtors at 28 February was as follows:

	2015 3 months or less £'000	2014 3 months or less £'000
Cash at bank	2,414	4,187
Sales for future settlement	2,306	1,988
Accrued income and other amounts receivable	301	181
	5,021	6,356

Management of counterparty credit risk

Counterparty credit risk is managed as set out below.

- BlackRock's RQA Counterparty & Concentration Risk team (RQA CCR) is headed by BlackRock's Chief Credit Officer who reports to the Global Head of RQA. Credit authority resides with the Chief Credit Officer and selected team members to whom specific credit authority has been delegated. As such, counterparty approvals may be granted by the Chief Credit Officer, or by identified RQA Credit Risk Officers who have been formally delegated authority by the Chief Credit Officer. The following procedures and controls are in place:

  - transactions are entered into only with those counterparties approved by the RQA CCR team, with a formal review carried out for each new counterparty and counterparties are selected by the RQA CCR team on the basis of a number of risk migration criteria designed to reduce the risk to the Company of default;

  - the RQA CCR team monitors and reviews all approved counterparties on an ongoing basis and maintains an active oversight of counterparty exposures and the collateral management process;

  - the creditworthiness of financial institutions with whom cash is held is reviewed regularly by RQA CCR team;

  - all transactions in quoted securities are settled on a payment against delivery basis using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has made payment. Payment is made on purchase once the securities have been delivered by the broker. The trade will fail if either party fails to meets its obligation. The RQA CCR team review the credit standard of the Company's brokers on a periodic basis, and set limits on the amount that may be due from any one broker;

  - amounts due from debtors as disclosed on the Balance Sheet are subject to the same scrutiny by the BlackRock RQA CCR team and BlackRock's Fund administration team monitors the ageing of debtors to mitigate the risk of balances becoming overdue.

- The Board monitors the Company's counterparty risk by reviewing:

  - the semi-annual report from the Depositary, which includes the results of periodic site visits to the Company's custodian where controls are reviewed and tested;

  - the custodian's Service Organisation Control (SOC 1) reports which include a report by the custodian's auditor. This report sets out any exceptions or issues noted as a result of the auditor's review of the custodians control processes;

  - the Manager's SOC 1 reports which include a report by the Manager's auditor. This report sets out any exceptions or issues noted as a result of the auditor's review of the Manager's control processes;

  - in addition the Depositary and the Manager report any significant breaches or issues arising to the Board as soon as these are identified.

(c) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

Management of liquidity risk

Liquidity risk is not significant as the majority of the Company's assets are investments in quoted equities and other quoted securities that are readily realisable. The Company has an overdraft facility of £15 million and a three year multi-currency revolving loan facility of £35 million (2014: overdraft facility of £20 million, loan facility £25 million) and debenture stock which is secured by a floating charge over the whole of its assets and which is redeemable at par on 31 July 2022.

The Company's liquidity risk is managed on a daily basis by the Investment Manager in accordance with established policies and procedures in place. The Portfolio Managers review daily forward-looking cash reports which project cash obligations. These reports allow them to manage their obligations.

The Board of Directors gives guidance to the Investment Manager as to the maximum amount of the Company's resources that should be invested in any one company. The policy is that the Company should remain fully invested in normal market conditions and that short term borrowings be used to manage short term cash requirements.

For the avoidance of doubt, none of the assets of the Company are subject to special liquidity arrangements.

Liquidity risk exposure

The table below analyses the Company's contractual liabilities.

	2015			2014		
	Within 1 year £'000	Between 1 and 5 years £'000	More than 5 years £'000	Within 1 year £'000	Between 1 and 5 years £'000	More than 5 years £'000
Debenture stock	1,163	4,650	17,809	1,163	4,650	18,970
Bank loan	–	25,000	–	–	25,000	–
Purchases for future settlement	1,410	–	–	2,567	–	–
Other creditors and accruals	3,115	–	–	2,696	–	–
	5,688	29,650	17,809	6,426	29,650	18,970

(d) Valuation of financial instruments

Financial assets and financial liabilities are either carried in the Balance Sheet at their fair value (investment and derivatives) or at an amount which is a reasonable approximation of fair value (due from brokers, dividends and interest receivable, due to brokers, accruals, cash at bank and bank overdrafts). FRS 29 requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The valuation techniques used by the Company are explained in note 2(c) on page 42.

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset.

The fair value hierarchy has the following levels:

Level 1 – Quoted market price in an active market for an identical instrument. These include exchange traded derivatives. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 – Valuation techniques used to price securities based on observable inputs. This category includes instruments valued using quoted market prices in active markets for identical instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

18. RISK MANAGEMENT POLICIES AND PROCEDURES continued

Valuation techniques used for non-standardised financial instruments such as over-the-counter derivatives, include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity specific inputs.

Level 3 – Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant impact on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments and instruments for which there is no active market. The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable Inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes "observable" requires significant judgement by the investment manager. The investment manager considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The table below sets out fair value measurements using the FRS 29 fair value hierarchy.

Financial assets and financial liabilities at fair value through profit or loss at 28 February 2015	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	496,332	–	–	496,332
Total	496,332	–	–	496,332

Financial assets and financial liabilities at fair value through profit or loss at 28 February 2014	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	510,627	–	–	510,627
Total	510,627	–	–	510,627

There were no transfers between levels for financial assets and financial liabilities during the year recorded at fair value as at 28 February 2015 and 28 February 2014. The Company did not hold any level 3 securities throughout the financial year or as at 28 February 2015 (2014: nil).

(e) Capital management policies and procedures

The Company's capital management objectives are:

- to ensure it will be able to continue as a going concern; and
- secure long term capital growth primarily through investing in quoted securities in the UK.

This is to be achieved through an appropriate balance of equity capital and gearing. The policy is that gearing should not exceed 15% of net assets at the time of drawdown.

The Company's total capital at 28 February 2015 was £496,828,000 (2014: £511,720,000) comprising £25,000,000 (2014: £25,000,000) of bank loan, £14,892,000 (2014: £14,877,000) of debenture stock at par value and £456,936,000 (2014: £471,843,000) of equity share capital and other reserves.

19. TRANSACTIONS WITH THE INVESTMENT MANAGER

BlackRock Investment Management (UK) Limited (BIM (UK)) provided management and administration services to the Company under a contract which was terminated with effect from 2 July 2014. BlackRock Fund Managers Limited (BFM) was appointed as the Company's AIFM with effect from 2 July 2014. BIM (UK) continues to act as the Company's Investment Manager under a delegation agreement with BFM. Further details of the investment management contract are disclosed in the Directors' Report on pages 19 and 20.

The investment management fee due to BIM (UK) and BFM for the year ended 28 February 2015 amounted to £2,481,000 (2014: £2,300,000). A performance fee accrued for the year ended 28 February 2015 amounted to £1,259,000 (2014: £1,111,000). At the year end, £1,218,000 was outstanding in respect of the management fee (2014: £644,000) and £1,259,000 (2014: £1,111,000) in respect of the performance fee. The management fee and any performance fee were until 2 July 2014 payable to BIM (UK) and thereafter to BFM.

In addition to the above services, with effect from 1 November 2013, BlackRock has provided the Company with marketing services. The total fees paid or payable for these services for the year ended 28 February 2015 amounted to £186,000 including VAT (2014: £50,000) of which £236,000 (2014: £50,000) was outstanding at year end.

20. RELATED PARTIES DISCLOSURES

Disclosures of the Directors' interests in the ordinary shares of the Company and fees and expenses payable to the Directors are given in the Directors' Remuneration Report on pages 24 to 27.

21. CONTINGENT LIABILITIES

There were no contingent liabilities at 28 February 2015 (2014: nil).

Regulatory disclosures

AIFMD disclosures

REPORT ON REMUNERATION

The Alternative Investment Fund Managers' Directive (the AIFMD), requires certain disclosures to be made with regard to the remuneration policy of the Company's AIFM.

Details of the BlackRock AIFM Remuneration Policy are disclosed on the website at blackrock.co.uk/brsc and became applicable to the Manager on 1 January 2015, being the beginning of the first financial year of BlackRock following the Manager's authorisation as an AIFM.

QUANTITATIVE REMUNERATION DISCLOSURE

Appropriate disclosures will be made in due course in accordance with FUND 3.3.5, Article 22(2)(e) and 22(2)(f) of the AIFMD and Article 107 of the Delegated Regulation.

LEVERAGE

The Company may employ leverage and borrow cash in accordance with its stated investment policy or investment strategy. Consistent with its investment objectives and policy, the Company may with the prior approval from the Board utilise derivative instruments as part of its investment policy.

The use of derivatives may expose the Company to a higher degree of risk. In particular, derivative contracts can be highly volatile, and the amount of initial margin is generally small relative to the size of the contract so that transactions may be leveraged in terms of market exposure. A relatively small market movement may have a potentially larger impact on derivatives than on standard underlying bonds or equities. Leveraged derivative positions can therefore increase the Company's volatility. The use of borrowings and leverage has attendant risks and can, in certain circumstances, substantially increase the adverse impact to which the Company's investment portfolio may be subject.

For the purposes of this disclosure, leverage is any method by which the Company's exposure is increased, whether through borrowing cash or securities, or leverage embedded in contracts for difference or by any other means. The AIFMD requires that each leverage ratio be expressed as the ratio between a Company's exposure and its NAV, and prescribes two required methodologies, the gross methodology and the commitment methodology (as set out in AIFMD Level 2 Implementation Guidance), for calculating such exposure.

Using the methodologies prescribed under the AIFMD, the leverage of the Company is disclosed in the table below:

	Commitment leverage as at 28 February 2015	Gross leverage as at 28 February 2015
Leverage ratio*	1.1	1.1

* Leverage arises from the Company's Revolving Credit Facility with Scotia Bank and the 7.75% debenture stock 2022.

Other risk disclosures

The financial risk disclosures relating to risk framework and liquidity risk are set out in note 18 to the notes to the financial statements on pages 51 to 56.

PRE INVESTMENT DISCLOSURES

The AIFMD requires certain information to be made available to investors in AIFs before they invest and requires that material changes to this information be disclosed in the annual report of each AIF. An Investor Disclosure Document, which sets out information on the Company's investment strategy and policies, leverage, risk, liquidity, administration, management, fees, conflicts of interest and other shareholder information is available on the website at blackrock.co.uk/brsc.

There have been no material changes (other than those reflected in these financial statements) to this information requiring disclosure. Any information requiring immediate disclosure pursuant to the AIFMD will be disclosed to the London Stock Exchange through a primary information provider.

Regulatory disclosures

Information to be disclosed in accordance with Listing Rule 9.8.4

The disclosures below are made in compliance with the requirements of Listing Rule 9.8.4.

9.8.4 (1) The Company has not capitalised any interest in the period under review.

9.8.4 (2) The Company has not published any unaudited financial information in a class 1 circular or prospectus or any profit forecast or profit estimate.

9.8.4 (3) This provision has been deleted.

9.8.4 (4) The Company does not have any long term incentive schemes in operation.

9.8.4 (5) and 9.8.4 (6) No Director of the Company has waived or agreed to waive any current or future emoluments from the Company.

9.8.4 (7) The Company has not allotted any equity securities for cash in the period under review.

The Company is a stand-alone entity therefore Listing Rules 9.8.4 (8) and 9.8.4 (9) are not applicable.

9.8.4 (10) There were no contracts of significance subsisting during the period under review to which the Company is a party and in which a Director of the Company is or was materially interested; or between the Company and a controlling shareholder.

9.8.4 (11) This provision is not applicable to the Company.

9.8.4 (12) and 9.8.4 (13) There were no arrangements under which an ordinary shareholder has waived or agreed to waive any dividends or future dividends.

9.8.4 (14) This provision is not applicable to the Company.

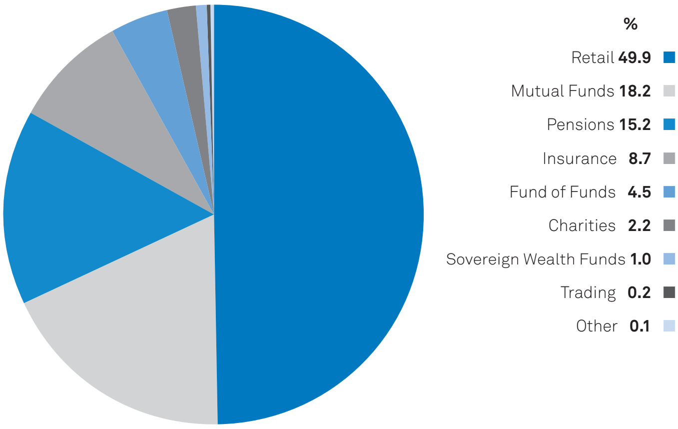
BLACKROCK INVESTMENT MANAGEMENT (UK) LIMITED
Company Secretary
27 April 2015

Additional information

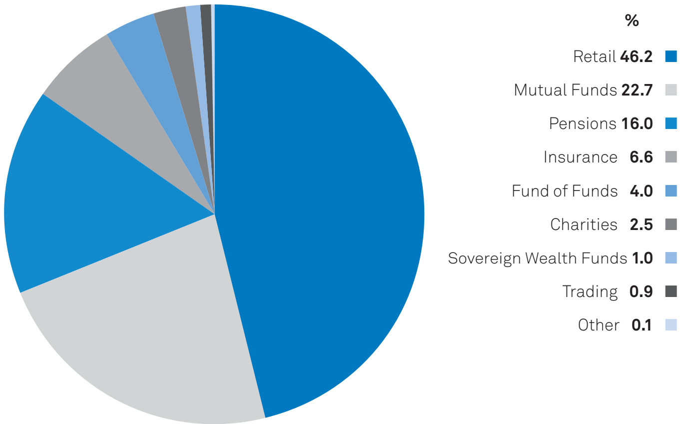
Analysis of ordinary shareholders as at 28 February 2015 (unaudited)

BY TYPE OF HOLDER

As at 28 February 2015



As at 28 February 2014



BY SIZE OF HOLDING

Range	Number of shares	% of total 2015	% of total 2014	Number of holders	% of total 2015	% of total 2014
1-10,000	2,533,955	5.3	5.1	1,363	86.4	85.6
10,001-100,000	4,732,412	9.9	11.2	138	8.8	9.8
100,001-1,000,000	21,051,092	44.0	41.2	65	4.1	3.8
1,000,001-5,000,000	19,562,333	40.8	42.5	11	0.7	0.8
Total	47,879,792*	100.0	100.0	1,577	100.0	100.0

*Excludes 2,113,731 shares held in treasury.

Additional information

Historical performance record (unaudited)

Year ended February	Total assets less current liabilities £'000	Shareholders' funds £'000	Net asset value per share p[4]	Share price p	Revenue available for dividends £'000	Revenue earnings per share p	Dividends per share p
2006	197,382	182,621	361.2	312.0	2,258	4.46	4.62
2007	241,636	226,860	453.8	392.8	2,824	5.61	4.76
2008	215,843	201,052	414.5	340.0	3,540	7.16	4.90[1]
2009	125,071	110,265	227.4	177.0	3,499	7.21	5.05[2]
2010	197,087	182,267	380.7	293.8	3,572	7.41	5.60[3]
2011	312,036	297,202	620.7	542.0	4,095	8.55	7.00
2012	311,582	296,733	619.8	503.0	4,865	10.16	8.40
2013	374,797	344,934	720.4	626.5	5,520	11.53	10.00
2014	511,720	471,843	985.5	908.0	6,987	14.59	12.00
2015	496,828	456,936	954.3	812.0	8,105	16.93	14.50

1. Excluding a special dividend of 1.25p.
2. Excluding a special dividend of 0.70p.
3. Excluding a special dividend of 0.50p.
4. Debenture at par value.

Additional information

Management and other service providers

REGISTERED OFFICE

(Registered in Scotland, No. 006176)
Exchange Place One
1 Semple Street
Edinburgh EH3 8BL

INVESTMENT MANAGER AND COMPANY SECRETARY

BlackRock Investment Management (UK) Limited*
12 Throgmorton Avenue
London EC2N 2DL

ALTERNATIVE INVESTMENT FUND MANAGER**

BlackRock Fund Managers Limited*
12 Throgmorton Avenue
London EC2N 2DL
Telephone: 020 7743 3000

DEPOSITARY

BNY Mellon Trust & Depositary (UK) Limited*
BNY Mellon Centre
160 Queen Victoria Street
London EC4V 4LA

REGISTRAR

Computershare Investor Services PLC*
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
Telephone: 0870 707 1649

STOCKBROKERS

Canaccord Genuity Limited*
88 Wood Street
London EC2V 7QR

SOLICITORS

CMS Cameron McKenna LLP
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EN

AUDITOR

Scott-Moncrieff
Chartered Accountants
Exchange Place 3
Semple Street
Edinburgh EH3 8BL

SAVINGS PLAN AND NISA ADMINISTRATOR

Freepost RLTZ-KHUH-KZSB
BlackRock Investment Management (UK) Limited*
PO Box 9036
Chelmsford CM99 2XD
Telephone: 0800 44 55 22

* Authorised and regulated by the Financial Conduct Authority.
** BlackRock Fund Managers Limited (BFM) was appointed as the Alternative Investment Fund Manager on 2 July 2014. BlackRock Investment Management (UK) Limited continues to act as the Investment Manager of the Company under a delegation agreement with BFM.

Additional information

Shareholder information

FINANCIAL CALENDAR

The timing of the announcement and publication of the Company's results may normally be expected in the months shown below:

April
Annual results and final dividend for year announced.

May
Annual Report and Financial Statements published.

June
Annual General Meeting.

June/July
Final dividend paid.

October
Half yearly figures to 31 August announced and half yearly financial report published.

November
Interim dividend paid.

DIVIDEND – 2015

The proposed final dividend in respect of the year ended 28 February 2015 is 9.00p per share.

Ex-dividend date (shares transferred without the dividend)	21 May 2015
Record date (last date for registering transfers to receive the dividend)	22 May 2015
Last date for registering DRIP instructions	4 June 2015
Dividend payment date	25 June 2015

PAYMENT OF DIVIDENDS

Cash dividends will be sent by cheque to the first-named shareholder at their registered address. Dividends may also be paid direct into a shareholder's bank account via BACSTEL-IP (Bankers' Automated Clearing Service – Telecom Internet Protocol). This may be arranged by contacting the Company's registrar, Computershare Investor Services PLC, through their secure website investorcentre.co.uk, or by telephone on 0870 707 1649, or by completing the Mandate Instructions section on the reverse of your dividend counterfoil. Tax vouchers will be sent to shareholders at their registered address, unless other instructions have been given, to arrive on the payment date.

DIVIDEND REINVESTMENT SCHEME ("DRIP")

Shareholders may request that their dividends be used to purchase further shares in the Company. Dividend reinvestment forms may be obtained from Computershare Investor Services PLC through their secure website investorcentre.co.uk, or on 0870 707 1649. Shareholders who have already opted to have their dividends reinvested do not need to reapply. The last date for registering for this service for the forthcoming dividend is 4 June 2015.

SHARE PRICE

The Company's mid-market ordinary share price is quoted daily in The Financial Times under "Investment Companies" and in The Daily Telegraph and The Times under "Investment Trusts". The share price is also available on the BlackRock website at blackrock.co.uk/brsc.

ISIN/SEDOL NUMBERS

The ISIN/SEDOL numbers and mnemonic codes for the Company's shares are:

	Ordinary Shares
ISIN	GB0006436108
SEDOL	0643610
Reuters code	BRSC
Bloomberg code	BRSC LN

SHARE DEALING

Investors wishing to purchase more shares in the Company or sell all or part of their existing holding may do so through a stockbroker. Most banks also offer this service. It is also possible to trade the Company's shares through many of the online dealing service providers.

COMPUTERSHARE INVESTOR SERVICES PLC

For existing shareholders, the Company's registrar, Computershare Investor Services PLC, has both internet and telephone share dealing services. To access the internet share dealing service, log on to computershare.com/sharedealingcentre/. The telephone share dealing service is available on 0870 703 0084. To use these services, you will need your shareholder reference number which is detailed on your share certificate.

Internet dealing – The fee for this service is 1% of the value of each sale or purchase of shares (subject to a minimum of £30). Stamp duty of 0.5% is payable on purchases.

Telephone dealing – The fee for this service will be 1% of the value of the transaction (plus £35). Stamp duty of 0.5% is payable on purchases.

CREST

The Company's shares may be held in CREST, an electronic system for uncertificated securities trading.

Private investors can continue to retain their share certificates and remain outside the CREST system. Private investors are able to buy and sell their holdings in the same way as they did prior to the introduction of CREST, although there may be differences in dealing charges.

ELECTRONIC COMMUNICATIONS

We encourage you to play your part in reducing our impact on the environment and elect to be notified by email when your shareholder communications become available online. This means you will receive timely, cost-effective and greener online annual reports, half yearly financial reports and other relevant documentation.

Additional information

Shareholder information continued

Shareholders who opt for this service will receive an email from Computershare with a link to the relevant section of the BlackRock website where the documents can be viewed and downloaded. Please submit your email address by visiting www.investorcentre.co.uk/ecomms. You will require your shareholder reference number which you will find on your share certificate or tax voucher.

You will continue to receive a printed copy of these reports if you have elected to do so. Alternatively, if you have not submitted your email address nor have elected to receive printed reports, we will write and let you know where you can view these reports online.

ELECTRONIC PROXY VOTING

Shareholders are able to submit their proxy votes electronically via Computershare's internet site at eproxyappointment.com using their shareholder reference number, control number and a unique identification PIN which will be provided with voting instructions and the Notice of Annual General Meeting.

CREST members who wish to appoint one or more proxies or give an instruction through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST manual. More details are set out in the notes on the Form of Proxy and the Notice of Annual General Meeting.

RISK FACTORS

- Past performance is not necessarily a guide to future performance. The value of your investment in the Company and the income from it can fluctuate as the value of the underlying investments fluctuate.

- The price at which the Company's shares trade on the London Stock Exchange is not the same as their net asset value (although they are related) and therefore you may realise returns which are lower or higher than NAV performance.

NOMINEE CODE

Where shares are held in a nominee company name, the Company undertakes:

- to provide the nominee company with multiple copies of shareholder communications, so long as an indication of quantities has been provided in advance;

- to allow investors holding shares through a nominee company to attend general meetings, provided the correct authority from the nominee company is available; and

- that investors in the BlackRock Investment Trusts Savings Plan and NISA are automatically sent shareholder communications, including details of general meetings, together with a Form of Direction to facilitate voting and to seek authority to attend.

Nominee companies are encouraged to provide the necessary authority to underlying shareholders to attend the Company's general meetings.

PUBLICATION OF NET ASSET VALUE/PORTFOLIO ANALYSIS

The net asset value ("NAV") per share of the Company is calculated daily, with details of the Company's investments and performance being published monthly.

The daily NAV per share and monthly information are released through the London Stock Exchange's Regulatory News Service and are available on the BlackRock website at blackrock.co.uk/brsc and through the Reuters News Service under the code "BLRKINDEX", on page 8800 on Topic 3 (ICV terminals) and under "BLRK" on Bloomberg (monthly information only).

ONLINE ACCESS

Other details about the Company are available on the BlackRock website at blackrock.co.uk/brsc. The financial statements and other literature are published on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction.

Shareholders can also manage their shareholding online by using Investor Centre, Computershare's secure website, at investorcentre.co.uk.

To access Computershare's website you will need your shareholder reference number (SRN) which can be found on paper or electronic communications you have previously received from Computershare. Listed below are the most frequently used features of the website.

- Holding enquiry – view balances, values, history, payments and reinvestments.

- Payments enquiry – view your dividends and other payment types.

- Address change – change your registered address.

- Bank details update – choose to receive your dividend payment directly into your bank account instead of by cheque.

- Outstanding payments – reissue payments using the online replacement service.

- Downloadable forms – including dividend mandates, stock transfer, dividend reinvestment and change of address forms.

- The Company's shares can be purchased through retail banks, stockbrokers and a range of online dealing platforms, many of which also offer the New Individual Savings Accounts.

SAVINGS PLAN

The Company also participates in the BlackRock Investment Trusts Savings Plan, which facilitates both regular monthly investments and occasional lump sum investments in the Company's ordinary shares. Shareholders who would like information on the BlackRock Savings Plan should call BlackRock free on 0800 44 55 22.

STOCKS AND SHARES INDIVIDUAL SAVINGS ACCOUNTS ("NISA")

NISAs are a tax-efficient method of investment and the Company's shares are eligible investments for inclusion within stocks and shares Individual Savings Accounts. Investors currently have an annual NISA allowance of £15,000. With effect from 5 April 2015, investors will be able to invest up to £15,240 in New ISAs (NISAs), either as cash or shares. Details of the BlackRock NISA's are available by calling free on 0800 44 55 22.

SHAREHOLDER ENQUIRIES

The Company's registrar is Computershare Investor Services PLC. Certain details relating to your holding can be checked through the Computershare Investor Centre website. As a security check, specific information needs to be input accurately to gain access to an individual's account. This includes your shareholder reference number, available from either your share certificate, tax voucher or other communications you have previously received from Computershare. The address of the Computershare website is investorcentre.co.uk. Alternatively, please contact the registrar on 0870 707 1649.

Changes of name or address must be notified in writing either through Computershare's website, or to the registrar at:

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ

GENERAL ENQUIRIES

Enquiries about the Company should be directed to:

The Secretary
BlackRock Smaller Companies Trust plc
12 Throgmorton Avenue
London EC2N 2DL
Telephone: 020 7743 3000

Enquiries about the Savings Plan or NISA should be directed to:

Freepost RLTZ-KHUH-KZSB
BlackRock Investment Management (UK) Limited
PO Box 9036
Chelmsford CM99 2XD
Telephone: 0800 44 55 22

Glossary

NET ASSET VALUE PER SHARE ("NAV")

This is the value of the Company's assets attributable to one ordinary share. It is calculated by dividing shareholders' funds by the total number of shares in issue. For example, as at 28 February 2015, shareholders' funds were £456,936,000 and there were 47,879,792 ordinary shares in issue (excluding shares held in treasury); the NAV was therefore 954.34p per share (debenture at par value) and 946.91p per share (debenture at fair value).

Shareholders' funds are calculated by deducting the Company's current and long term liabilities and any provision for liabilities and charges from its total assets.

NET ASSET VALUE PER SHARE WITH INCOME REINVESTED ("TOTAL RETURN NAV")

This is the theoretical return on shareholders' funds per share, reflecting the change in value of the NAV per share assuming that dividends paid to shareholders were reinvested in the Company's shares at the first opportunity.

As at 28 February 2015, the Company's NAV stood at 954.34p; a reinvestment factor of 1.42928 (rounded) was applied to reach a calculation of NAV with income reinvested of 1,364.02p. Based on this adjusted NAV, the total NAV return for the year ended 28 February 2015 was -1.8%.

DISCOUNT

Investment trust shares can frequently trade at a discount to NAV. This occurs when the share price (based on the mid-market share price) is less than the NAV and investors may therefore buy shares at less than the value attributable to them by reference to the underlying assets. This discount is the difference between the share price and the NAV, expressed as a percentage of the NAV. For example, if the share price was 550.00p and the NAV 620.00p, the discount would be 11.3%.

PREMIUM

A premium occurs when the share price (based on the mid-market share price) is more than the NAV and investors therefore would be paying more than the value attributable to the shares by reference to the underlying assets. For example, if the share price was 550.00p and the NAV 540.00p, the premium would be 1.9%.

Discounts and premiums are mainly the consequence of supply and demand for the shares on the stock market.

ONGOING CHARGES RATIO

The AIC define ongoing charges ratios as the annual operating costs of an investment company expressed as a percentage of net assets. Ongoing charges are defined as those charges and expenses which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the investment company as a collective fund, excluding the cost of acquisition/disposal of investments, finance charges and gains/losses arising on investments. Ongoing charges are based on costs incurred in the year as being the best estimate of future costs. In addition, the Company discloses its ongoing charges inclusive of any performance fees incurred in the year to give shareholders a transparent view of all costs associated with the investment management services provided.

GEARING

Gearing is calculated in line with AIC guidelines and represents net gearing. This is defined as total assets of the Company less current liabilities (excluding bank overdrafts) less any cash or cash equivalents held minus total shareholders' funds, divided by total shareholders' funds. At 28 February 2015 the Company had total assets less current liabilities (excluding bank overdrafts) of £496,828,000, cash and cash equivalents (defined by the AIC as net current assets) of £496,000 and Shareholders' Funds of £456,936,000. The Company's gearing ratio on this basis is 8.6%.

LEVERAGE

Leverage is defined in the AIFM Directive as "any method by which the AIFM increases the exposure of an AIF it manages whether through borrowing of cash or securities, or leverage embedded in derivative positions or by any other means".

Leverage is measured in terms of 'exposure' and is expressed as a ratio of net asset value:

$$\text{Leverage ratio} = \frac{\text{Total assets}}{\text{Net assets}}$$

The Directive sets out two methodologies for calculating exposure. These are the Gross Method and the Commitment Method. The process for calculating exposure under each methodology is largely the same, except that, where certain conditions are met, the Commitment Method enables instruments to be netted off to reflect 'netting' or 'hedging' arrangements and the entity's exposure is effectively reduced.

Annual general meeting

Notice of annual general meeting

Notice is hereby given that the Annual General Meeting of BlackRock Smaller Companies Trust plc will be held at the offices of BlackRock, 12 Throgmorton Avenue, London EC2N 2DL on Thursday, 18 June 2015 at 11.30 a.m. for the purpose of considering and, if thought fit, passing the following resolutions (which will be proposed in the case of resolutions 1 to 9 as ordinary resolutions and, in the case of 10 and 11 as special resolutions).

ORDINARY BUSINESS

1. To receive the report of the Directors and the financial statements for the year ended 28 February 2015, together with the report of the auditor thereon.

2. To approve the Directors' Remuneration Report for the year ended 28 February 2015.

3. To declare a final dividend of 9.00p per ordinary share.

4. To re-elect Mrs G Nott as a Director.

5. To re-elect Mrs C Burton as a Director.

6. To re-elect Mr N Fry as a Director.

7. To reappoint Scott-Moncrieff, Chartered Accountants, as auditor to the Company until the conclusion of the next Annual General Meeting of the Company.

8. To authorise the Audit Committee to determine the auditor's remuneration.

SPECIAL BUSINESS
ORDINARY RESOLUTION

9. That, in substitution for all existing authorities, the Directors of the Company be and they are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the Act), to exercise all the powers of the Company to allot relevant securities in the Company (as defined in that section) up to an aggregate nominal amount of £1,196,994 (being 10% of the aggregate nominal amount of the issued share capital, excluding treasury shares, of the Company at the date of this notice) provided this authority shall expire at the conclusion of the next Annual General Meeting to be held in 2016 but so that the Company may, before such expiry, make any offer or agreement which would or might require relevant securities to be allotted pursuant to any such offer or agreement as if the authority hereby conferred had not expired.

SPECIAL RESOLUTIONS

10. That, in substitution for all existing authorities and subject to the passing of resolution 9 above, the Directors of the Company be and are hereby empowered pursuant to sections 570 and 573 of the Companies Act 2006 (the Act) to allot equity securities (as defined in section 560 of the Act), and to sell equity securities held by the Company as treasury shares (as defined in section 724 of the Act) for cash pursuant to the authority granted by the resolution numbered 9 above, as if section 561(1) of the Act did not apply to any such allotments and sales of equity securities, provided that this power:

    (a) shall expire at the conclusion of the next Annual General Meeting of the Company in 2016, except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted or sold after such expiry and notwithstanding such expiry the Directors may allot and sell equity securities in pursuance of such offers or agreements;

    (b) shall be limited to the allotment of equity securities and/or the sale of equity securities held in treasury for cash up to an aggregate nominal amount of £1,196,994 (representing 10% of the aggregate nominal amount of the issued share capital, excluding treasury shares, of the Company at the date of this notice); and

    (c) shall be limited to the allotment of equity securities at a price of not less than the cum-income net asset value per share.

11. That, in substitution for the Company's existing authority to make market purchases of ordinary shares of 25p each in the Company (Shares), the Company be and it is hereby authorised in accordance with section 701 of the Companies Act 2006 (the Act) to make market purchases of Shares (within the meaning of section 693 of the Act) provided that:

    (a) the maximum number of Shares hereby authorised to be purchased is 7,177,180 (being the equivalent of 14.99% of the Company's issued share capital, excluding treasury shares, at the date of this notice);

    (b) the minimum price (exclusive of expenses) which may be paid for a Share shall be 25p, being the nominal value per ordinary share;

Annual general meeting

Notice of annual general meeting continued

(c) the maximum price (exclusive of expenses) which may be paid for a Share shall be the higher of (i) 5% above the average of the market values of the Shares for the five business days immediately preceding the date of the purchase as derived from the Daily Official List of the London Stock Exchange and (ii) the higher of the price quoted for (a) the last independent trade of, and (b) the highest current independent bid for, any number of Shares on the trading venue where the purchase is carried out; and

(d) unless renewed, the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company in 2016, save that the Company may, prior to such expiry, enter into a contract to purchase Shares which will or may be completed or executed wholly or partly after such expiry.

All Shares purchased pursuant to the above authority shall be either:

(i) held, sold, transferred or otherwise dealt with as treasury shares in accordance with the provisions of the Act; or

(ii) cancelled immediately upon completion of the purchase.

BY ORDER OF THE BOARD
BLACKROCK INVESTMENT MANAGEMENT (UK) LIMITED
Company Secretary
27 April 2015

Notes:

1. A member entitled to attend and vote at the meeting convened by the above Notice is also entitled to appoint one or more proxies to exercise all or any of the rights of the member to attend, speak and vote instead of him/her. A proxy need not be a member of the Company. If a member appoints more than one proxy to attend the meeting, each proxy must be appointed to exercise the rights attached to a different share or shares held by the member.
2. To appoint a proxy you may use the form of proxy enclosed with this annual report. To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, must be completed and returned to the office of the Company's registrar in accordance with the instructions printed thereon as soon as possible and in any event by not later than 11.30 a.m. on 16 June 2015. Alternatively you can vote or appoint a proxy electronically by visiting eproxyappointment.com. You will be asked to enter the Control Number, the Shareholder Reference Number and PIN which are printed on the form of proxy. The latest time for the submission of proxy votes electronically is 11.30 a.m. on 16 June 2015.
3. Completion and return of the form of proxy will not prevent a member from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will be automatically terminated.
4. Any person receiving a copy of this Notice as a person nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 (a Nominated Person) should note that the provisions in notes 1 and 2 above concerning the appointment of a proxy or proxies to attend the meeting in place of a member, do not apply to a Nominated Person as only shareholders have the right to appoint a proxy. However, a Nominated Person may have a right under an agreement between the Nominated Person and the member by whom he or she was nominated to be appointed, or to have someone else appointed, as proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right under such agreement to give instructions to the member as to the exercise of voting rights at the meeting.
5. Nominated persons should also remember that their main point of contact in terms of their investment in the Company remains the member who nominated the Nominated Person to enjoy the information rights (or perhaps the custodian or broker who administers the investment on their behalf). Nominated Persons should continue to contact that member, custodian or broker (and not the Company) regarding any changes or queries relating to the Nominated Person's personal details and interest in the Company (including any administrative matter). The only exception to this is where the Company expressly requests a response from the Nominated Person.
6. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only shareholders registered in the register of members of the Company by not later than 6.00 p.m. two days prior to the time fixed for the meeting shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at such time. If the meeting is adjourned, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the adjourned meeting is 6.00 p.m. two days prior to the time of adjournment. Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the meeting.
7. In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
8. Holders of shares through the Savings Schemes are entitled to attend and vote at the meeting if the voting instruction form, which is enclosed with this document, is correctly completed and returned in accordance with the instructions printed thereon.
9. Shareholders who hold their shares electronically may submit their votes through CREST, by submitting the appropriate and authenticated CREST message so as to be received by the Company's registrar not later than 48 hours before the start of the meeting. Instructions on how to vote through CREST can be found by accessing the following website: euroclear.com/CREST. Shareholders are advised that CREST and the internet are the only methods by which completed proxies can be submitted electronically.
10. If you are a CREST system user (including a CREST personal member) you can appoint one or more proxies or give an instruction to a proxy by having an appropriate CREST message transmitted. To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by Computershare (ID number 3RA50) not later than 48 hours before the time appointed for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which Computershare is able to retrieve the message. CREST personal members or other CREST sponsored members should contact their CREST sponsor for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and system timings please refer to the CREST manual. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
11. If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes subject of those proxies are cast and voting rights in respect of those discretionary proxies, when added to the interest in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Conduct Authority. As a result, any member holding 3 per cent. or more of the voting rights in the Company, who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make a separate notification to the Company and the Financial Conduct Authority.
12. Any question relevant to the business of the meeting may be asked at the meeting by anyone permitted to speak at the meeting. A shareholder may alternatively submit a question in advance by a letter addressed to the Company Secretary at the Company's registered office. Under section 319A of the Companies Act 2006, the Company must answer any question a shareholder asks relating to the business being dealt with at the meeting, unless (i) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (ii) the answer had already been given on a website in the form of an answer to a question; or (iii) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
13. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that, if it is appointing more than one corporate representative, it does not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.
14. Under section 527 of the Companies Act 2006, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to:
    (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are laid before the meeting; or
    (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006.

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Annual general meeting

Notice of annual general meeting continued

The Company may not require the members requesting such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

15. Under sections 338 and 338A of the Companies Act 2006, members meeting the threshold requirements in those sections have the right to require the Company:
    (i) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting; and/or
    (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business.

    A resolution may properly be moved or a matter may properly be included in the business unless:
    (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise);
    (b) it is defamatory of any person; or
    (c) it is frivolous or vexatious.

    Such a request may be in hard copy form or in electronic form, and must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, must be received by the Company not later than 7 May 2015, being the date six weeks clear before the meeting and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.
16. Further information regarding the meeting which the Company is required by section 311A of the Companies Act 2006 to publish on a website in advance of the meeting (including this Notice), can be accessed at blackrock.co.uk/brsc.
17. As at the date of this report, the Company's issued share capital comprised 47,879,792 ordinary shares of 25 pence each, excluding shares held in treasury. Each ordinary share carries the right to one vote and therefore the total number of voting rights in the Company on 27 April 2015 is 47,879,792.
18. No service contracts exist between the Company and any of the Directors, who hold office in accordance with letters of appointment and the Articles of Association.

Warning to Shareholders

SHARE FRAUD WARNING

Share fraud includes scams where investors are called out of the blue and offered shares that often turn out to be worthless or non-existent, or an inflated price for shares they own. These calls come from fraudsters operating in 'boiler rooms' that are mostly based abroad.

While high profits are promised, those who buy or sell shares in this way usually lose their money.

The Financial Conduct Authority (FCA) (formerly the Financial Services Authority ('FSA')) has found most share fraud victims are experienced investors who lose an average of £20,000, with around £200m lost in the UK each year.

PROTECT YOURSELF

If you are offered unsolicited investment advice, discounted shares, a premium price for shares you own, or free company or research reports, you should take these steps before handing over any money:

1. Get the name of the person and organisation contacting you.
2. Check the Financial Services Register via **fca.org.uk** to ensure they are authorised.
3. Use the details on the Financial Services Register to contact the firm.
4. Call the FCA Consumer Helpline on **0800 111 6768** if there are no contact details on the Register or you are told they are out of date.
5. Search the FCA's website list of unauthorised firms and individuals to avoid doing business with.
6. **REMEMBER: if it sounds too good to be true, it probably is!**

If you use an unauthorised firm to buy or sell shares or other investments, you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme (FSCS) if things go wrong.

REPORT A SCAM

If you are approached about a share scam you should tell the FCA using the share fraud reporting form at **fca.org.uk/consumers/scams**, where you can find out about the latest investment scams. You can also call the Consumer Helpline on **0800 111 6768**.

If you have already paid money to share fraudsters you should contact Action Fraud on

0300 123 2040

blackrock.co.uk/brsc

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